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Unit II & III-Planning

Sub: Principles of Management
(General Component)

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PLANNING

• Planning is the first managerial function to be performed. It is concerned with deciding in advance what is to be done in future, when, where and by whom it is to be done. It is a process of thinking before doing.

"Without the activities determined by planning, there would be nothing to organize, no one to activate and no need to control".

George R. Terry

FEATURES OF PLANNING

1. Focus on realizing the objectives set
2. Intellectual process involving mental exercise
3. Selective as it selects the best course of action
4. Pervasive as all the levels of management plan
5. Lays foundation of the successful actions of management
6. It is flexible
7. It is Continuous
8. Efficiency is measured by what it contributes to the objectives.

OBJECTIVES OF PLANNING

1. Helps in effective forecasting
2. Provides certainty in the activities
3. Establish coordination in the enterprise
4. Provides economy in the management
5. Helpful in the accomplishment of budgets
6. Gives direction to all the activities of an organization

6 Ps in Planning

- Purpose
- Philosophy
- Premise
- Policies
- Plans
- Priorities

MERITS AND DEMERITS OF PLANNING

Advantages:	Disadvantages :
1. Reduces uncertainty 2. Ensures economical operations 3. Facilitates control 4. Improves motivation 5. Gives competitive edge 6. Avoids duplication of efforts	1. Limitations of forecasts 2. Rigidity in administration 3. Time consuming process 4. Costly affair 5. Influence of external factors 6. Psychological factors

STEPS IN PLANNING

1. Awareness of opportunities and problems
   a) What business opportunities will arise in future
   b) What benefits will the organization get
   c) How to exploit these opportunities
2. Collecting and analyzing information
3. Determination of objectives
4. Assessment of environment
5. Premising and forecasting
6. Review of key factors

STEPS IN PLANNING

7. Development of alternative plans
8. Evaluation of alternative plans
9. Selection of a suitable plan

KINDS OF PLANNING

KINDS OF PLANNING

Organizational level	**Focus**	**Time period**
Corporate range	Strategic	Long
Divisional range	Operational	Medium
Functional range	Tactic	Short

ORGANIZATIONAL PLANNING

- Corporate planning or top level planning: It lays down the objectives, policies and strategies of an organization. Usually made for a longer time period.
- Divisional planning or middle level planning: It is related to a particular department or division. It lays down the objectives, policies and strategies of a department.
- Sectional planning or lower level planning: focused on laying down detail plans for the day to day guidance.

FOCUSED PLANNING

1. Strategic planning: deciding the objectives and to decide the resource marshalling in order to realize the objectives. Done by the top management.
2. Operational planning: ensuring efficient use of resources and to develop a control mechanism so as maximum efficiency is ensured.
3. Tactical planning: made for short term moves. Required to meet the sudden changes in the environment forces.

TIME PERIOD PLANNING

1. Long range planning: for a period of five years at least. Involves capital budgeting, product planning, project planning etc. deals with a great uncertainty.
2. Medium range: for one to five years. Relate to development of new products and markets, product publicity etc. supportive to long range plans.
3. Short range: upto one year. Made to achieve short term goals. Focused on the internal environment of the business.

Basic terms

1. **Objectives**: these are the end towards which the activities of an organization are directed. Objectives can be set both by traditional (authoritarian) approach or MBO approach.
2. **Policies**: Policies provide the framework within which the decision makers are expected to operate while making decisions related to an organization

Basic terms

3. **Procedures**: These are the administrative specifications prescribing the time sequence for work to be done. They tell us how a particular activity is to be done.
4. **Methods:** It is a means by which each operation is performed. It also specifies how a particular step in the procedure is to be performed.
5. **Rules:** it specifies what is to be done and what is not be done. More rigid than a policy.
6. **Strategy:** It refers to the firm's overall plan for dealing with and existing in the environment.

POLICIES

- Policies provide the framework within which the decision makers are expected to operate while making decisions related to an organization.
- They are guide to the thinking and action of subordinates for the purpose of achieving the objectives of the business successfully.

Nature of policy

1. Policy is an expression of intentions of top management.
2. It serves as a guide to decision making in an organization.
3. It should be planned after taking into consideration the long range plans and needs of an organization.
4. As policies live longer than the people therefore the policies should be framed after serious thinking and participation of the top executives.
5. Policies take a concrete step when they are put in writing.

TYPES OF POLICIES

1. Basic or top management policy: laid by the top management like product selection, size of business, budgeting etc.
2. Middle management policies: general policies affecting a large part of organization. E.g. purchase policy
3. Departmental Policies: applies to routine activities e.g. workers related matters
4. Written and verbal policies

TYPES OF POLICIES

5. Implied policies: which actually exist in a company. Such policies can be known only by watching the actual working of an organization.
6. Functional policies: e.g. marketing policies, finance policies, research policies, and recruitment policies.
7. Policy manual: where all policies are compiled in the form of a book is called a policy manual.

ADVANTAGES OF POLICIES

1. Better performance
2. Helps in control
3. Better industrial relations
4. Helps in enhancing co-operation
5. Consistency

STRATEGY

- It refers to the firm's overall plan for dealing with and existing in the environment.
- Features

1. It is a general program of action
2. More concerned with external problems rather than internal
3. It includes tactics used by the opponents
4. They need to be changed as per the requirements
5. Formulated only at the top level

Types of strategies

- Strike while the iron is hot
- Camel’s head in the tent
- Strength in unity
- Divide and rule
- Times is a great healer
- One step ahead

SWOT ANALYSIS

"Winners recognize their limitations but focus on their strengths; losers recognize their strengths but focus on their limitations"

- *A weakness can be converted into strength by recognizing it and by making an effort in that Direction.*
- *Opportunities and threats also need to be recognized.*

SWOT ANALYSIS

SWOT ANALYSIS

Internal environment

External environment

Strengths Weaknesses

Opportunities Threats

Importance of SWOT analysis

- It analyses whether the business is healthy or sick.
- An organization comes to know about the internal and external factors that affect its success or failure.
- It helps in the formation of a strategy so as to make preparations for the possible threats from the competitors.
- It helps to evaluate a business environment in a detailed manner so as to take strategic decisions for the future course of action.

Internal factors

STRENGTH: It is a positive, good or such other thing that gives an edge to a company.

Strengths of a company could be

a) Technical expertise
b) Efficient human resources
c) Possession of latest physical assets
d) Strong research and development department
e) Joint venture with a Multi National Company

WEAKNESS

It is something that a company lacks.

a) Less competent staff
b) Lack of goodwill in the market
c) Obsolete plant and machinery
d) Weak R & D Department
e) Underutilized plant capacity
f) Ineffective marketing strategies
g) Narrow product line

OPPORTUNITIES

These are the chances or the possibilities that come in the firm's way.

a) To enter in a new product line
b) To expand the company's existing product lines
c) To enter into the foreign markets
d) To acquire the rival firms
e) To create new alliances so as to increase competitive strength.
f) To use latest technologies in the business.

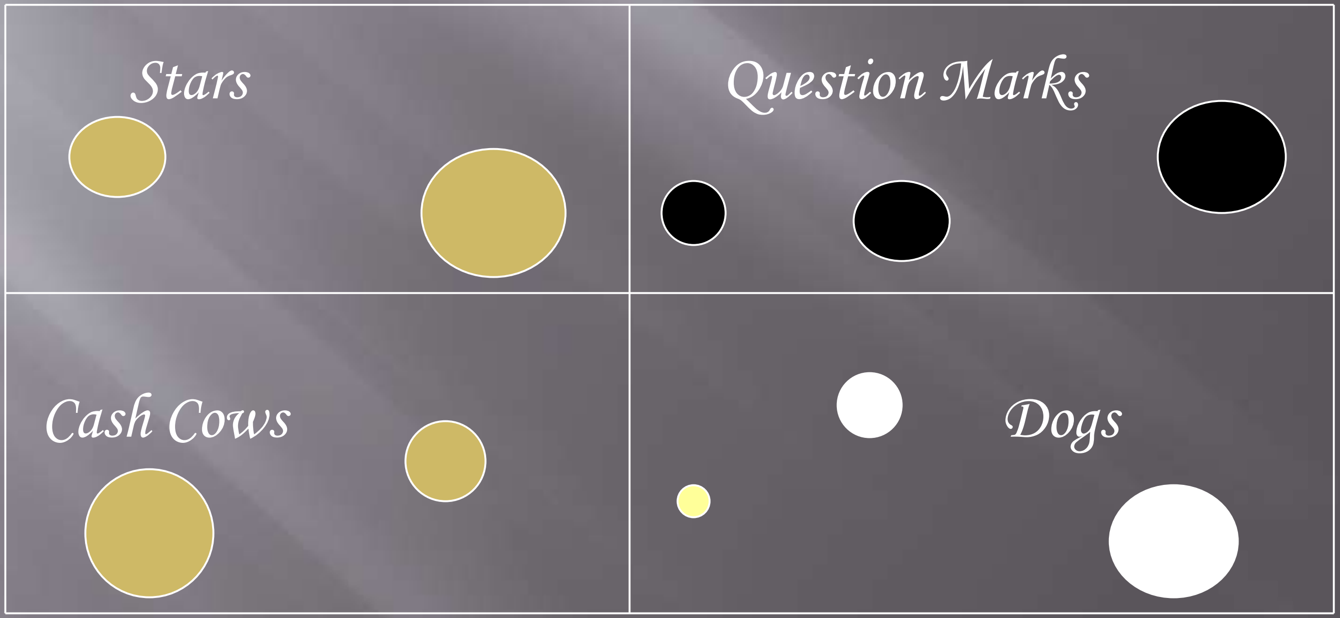
THREATS

These are the forces that have a negative bearing on any undertaking.

A) New competitors may enter the field
B) Customers purchasing substitute products
C) New technology making products obsolete
D) Slow down in the market leading to slump.
E) Change in government policies
F) Shift in buyers needs and tastes

STRATEGIC MARKETING PLANNING PROCESS

Strategic analysis of business units: to look into the past, present and future of the business. Can be Boston consulting group (BCG) or GE multifactor planning process.



PLANNING PREMISING

- Premising: Planning made today is dependent upon certain assumptions.
- It constitutes a framework in which planning is to be done.
- Planning premises are made taking into consideration both the past as well as the expected events.

TYPES OF PLANNING PREMISES

1. Internal premises: include those that originate from the sales forecast, existing policies and procedures of an organization and capital investment policies.

2. External premises: relating to Political, Social, Technological and economical forces. These are beyond the powers of any organization.

TYPES OF PLANNING PREMISES

- Controllable premises: factors like materials, money and machine are controllable factors.
- Semi controllable: these are under partial control of a business like labour relations and marketing strategy.
- Non controllable: which are beyond the control of any organization like govt. policy, wars and natural calamities.

Business forecasting

"Forecasts are predictions or estimate of the change, if any in characteristic economic phenomena which may affect one's business plans"

- It is a systematic effort to peep into the future.
- It is a technique of anticipating the future by scientific analysis of known facts.
- It helps in the anticipating the areas where there is a great need to be attentive to control the costs.

FEATURES

1. It is the calculation of probable future trends.
2. The analysis is based on the analysis of past and present circumstances.
3. Statistical techniques are used for analyzing past trend and then estimating the future.
4. Business forecasting does not take into consideration the note of the present circumstances in relation to the past.

IMPORTANCE

1. Importance in planning: {formulation of plans can only be done through forecasting}
2. Managerial decision making: helps managers to reach accurate the accurate decisions.
3. Control facilitated: tells the areas where control is necessary for the functioning of an enterprise.
4. Help in preparing budgets: like cash budget, material budget, manpower budget.

IMPORTANCE

- Sales forecasts:

a) Help to forecast the probable future demand
b) Helps a firm to take advantages of favorable prices for raw materials
c) Basis for business growth, diversification and expansion.
d) Decisions relating to financial and expansion policies.

FACTORS AFFECTING FORECASTING

- Internal factors:

1. Past statistics data relating to the business
2. Data in respect of cost of materials, wage rates, cost of capital etc.
3. Financial resources
4. Future expansion plans
5. Plans for product development

FACTORS AFFECTING FORECASTING

EXTERNAL FACTORS:

1. Political factors: If everything remains stable, then the generalizations come true.
2. Government restrictions: if government's controls and restrictions become available for long run, forecasting becomes easy.
3. Fiscal and monetary policy:
4. Population
5. Trends in price level

TECHNIQUES OF FORECASTING

Direct or bottom up method: every department makes its own forecasts which is later clubbed together as an aggregated data.

Indirect or top down method: the requirements of the total industry are ascertained first and then it is shared amongst the departments.

TECHNIQUES OF FORECASTING

Past performance technique: forecasts are based on the basis of past data. Results can be good only if past data has been consistent.

Market research techniques: polls and surveys can be conducted to find out the sale of a product. Questionnaire method through mailing or enumeration

TECHNIQUES OF FORECASTING

- Quantitative techniques:

Business barometers method: Business index numbers are used to measure the state of economy. Index numbers for two periods are used to find out the direction of business.

Trend analysis method: it is used when data are available for a long period of time.

TECHNIQUES OF FORECASTING

Extrapolation method: the values for future periods can be predicted. It assumes that the effect of various components of time series is of a constant pattern.

Regression method: two or more inter-related series are used to disclose the relationship between two variables.

Econometric Model: equations are made with the help of time series.

DECISION MAKING

"Making decisions is selecting one alternative from different alternatives"

- Decision is a choice whereby a person comes to a conclusion about given circumstances/situation.
- It involves choice making
- It is core of managerial activities in organization

TYPES OF DECISIONS

A **programmed decision** is one that is fairly structured or recurs with some frequency.

Non-programmed decisions, on the other hand, are relatively unstructured and may occur much less often. No business makes multi-billion-dollar decisions on a regular basis. Managers faced with such options must treat each one as unique, investing enormous blocks of time, energy, and resources into exploring the situation from all perspectives.

TYPES OF DECISIONS

Intuition and experience also play large roles in the making of non programmed decisions. Most of the decisions made by top managers involving strategy (including mergers, acquisitions, and takeovers) and organization design are non-programmed. So are decisions about new facilities, new products,

labor contracts, and legal issues.

DECISION-MAKING CONDITIONS

- Managers sometimes have an almost perfect understanding of conditions surrounding a decision, but at other times they have few clues about those conditions.
- In general, the circumstances that exist for the decision maker are conditions of certainty, risk, or uncertainty.
- These conditions are represented in the form of a figure

Decision-making Conditions

The decision maker faces conditions of …

Certainty	Risk	Uncertainty
Lower	**Moderate**	**Higher**

Level of ambiguity and chances of marking bad decision

Decision Making Under Certainty

- When managers know with reasonable certainty what their alternatives are and what conditions are associated with each alternative, a **state of certainty** exists.
- In organizational settings, few decisions are made under conditions of true certainty. The complexity and turbulence of the contemporary business world make such situations rare.

Decision making under uncertainty

The decision maker does not know all the alternatives, the risks associated with each, or the consequences each alternative is likely to have. This uncertainty stems from the complexity and dynamism of contemporary organizations and their environments. The key to effective decision making in these circumstances is to acquire as much relevant information as possible and to approach the situation from a logical and rational perspective. Intuition, judgment, and experience always play major roles in the decision-making process under conditions of uncertainty. Even so, this condition is the most ambiguous for managers and the one most prone to error.

STEPS IN DECISION MAKING

1. Recognizing and defining the situation	Some stimulus indicates that a decision must be made. The stimulus may be positive or negative.	A plant manager sees that employee turnover has increased by 5 percent.
2. Identifying alternatives	Both obvious and creative alternatives are desired. In general, the more significant the decision, the more alternatives should be generated.	The plant manager can increase wages, increase benefits, or change hiring standards.
3. Evaluating alternatives	Each alternative is evaluated to determine its feasibility, its satisfactoriness, and its consequences.	Increasing benefits may not be feasible. Increasing wages and changing hiring standards may satisfy all conditions.
4. Selecting the best alternative	Consider all situational factors, and choose the alternative that best fits the manager's situation.	Changing hiring standards will take an extended period of time to cut turnover, so increase wages.
5. Implementing the chosen alternative	The chosen alternative is implemented into the organizational system.	The plant manager may need permission of corporate headquarters. The human resource department establishes a new wage structure.
6. Follow-up and evaluation	At some time in the future, the manager should ascertain the extent to which the alternative chosen in step 4 and implemented in step 5 has worked.	The plant manager notes that, six months later, turnover has dropped to its previous level.

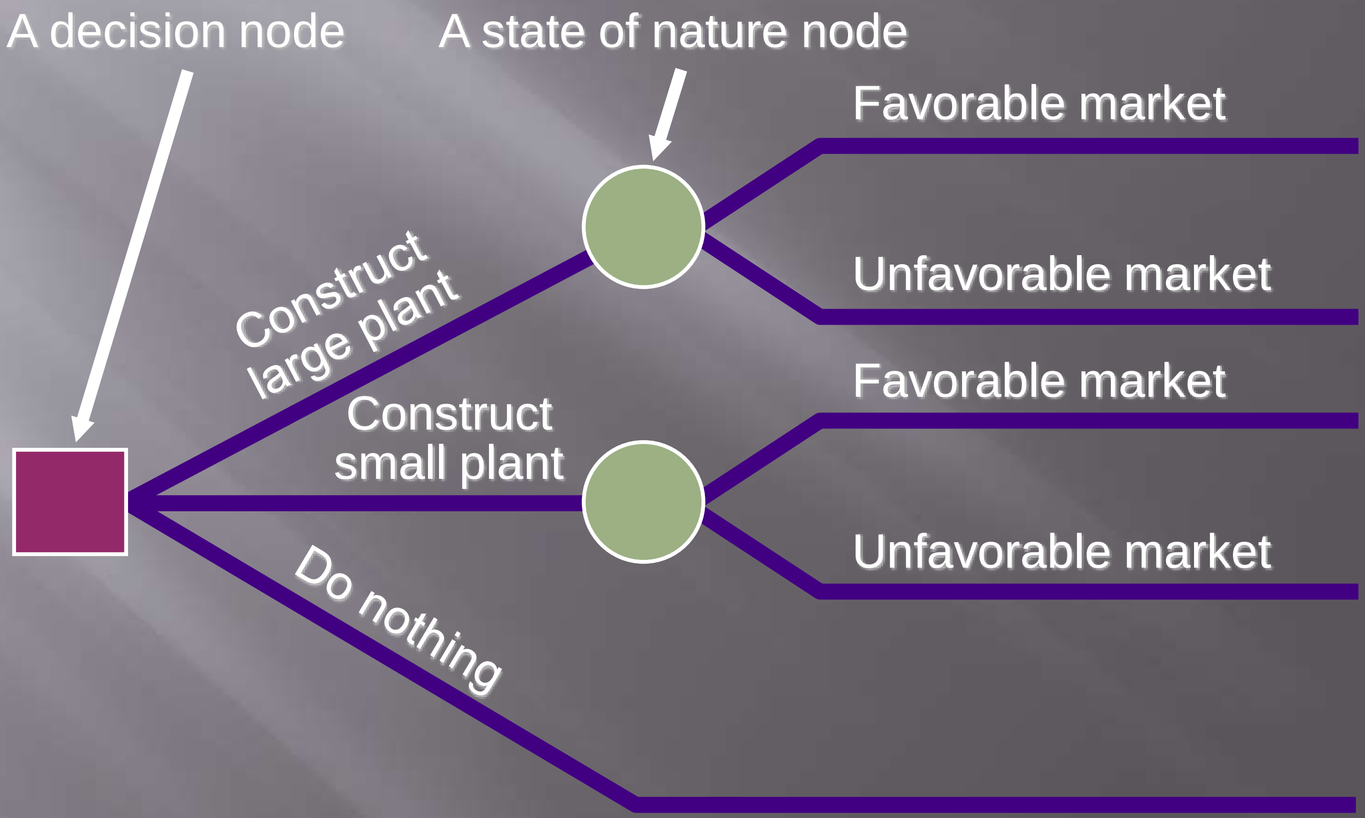
Decision trees

1. Terms:
   a. Alternative—a course of action or strategy that may be chosen by the decision maker
   b. State of nature—an occurrence or a situation over which the decision maker has little or no control

Decision trees

2. Symbols used in a decision tree:
   a. □ – decision node from which one of several alternatives may be selected
   b. ○ – a state-of-nature node out of which one state of nature will occur

Decision tree example



Group decision making

- **An interacting group** is the most common form of group decision making. The format is simple - either an existing or a newly designated group is asked to make a decision about something. Existing groups might be functional departments, regular work groups, or standing committees. Newly designated groups can be ad hoc committees, task forces, or teams.

Group decision making

- **A Delphi group** is sometimes used for developing a consensus of expert opinion. Developed by the Rand Corporation, the Delphi procedure solicits input from a panel of experts who contribute individually. Their opinions are combined and, in effect, averaged.
- The members **of the nominal group** represent a group in name only - they do not talk to one another freely like the members of interacting groups. Nominal groups are used most often to generate creative and innovative alternatives or ideas.

Merits and demerits of group decision making

1. More information and knowledge are available.	1. The process takes longer,
2. More alternatives are likely to be generated.	2. Compromise decisions resulting from indecisiveness may emerge.
3. More acceptance of the final decision is likely.	3. One person may dominate the group.
4. Enhanced communication of the decision may result.	4. it is costlier also
5. More accurate decisions generally emerge.	

BRAINSTORMING

- Brainstorming is a group activity technique designed to generate a large number of ideas for the solution of a pro
- In 1953 the method was popularized by Alex Faickney Osborn in a book called Applied Imagination. Osborn proposed that groups could double their creative output with brainstorming.

BASIC RULES IN BRAINSTORMING

Focus on quantity: This rule aims to facilitate problem solving through the maxim i.e. *quantity breeds quality*. The assumption is that the greater the number of ideas generated, the greater the chance of producing a radical and effective solution.

- **Withhold criticism**: Instead, participants should focus on extending or adding to ideas, reserving criticism for a later 'critical stage' of the process. By suspending judgment, participants will feel free to generate unusual ideas.

BASIC RULES IN BRAINSTORMING

- **Welcome unusual ideas**: To get a good and long list of ideas, unusual ideas are welcomed. They can be generated by looking from new perspectives and suspending assumptions. These new ways of thinking may provide better solutions.
- **Combine and improve ideas**: Good ideas may be combined to form a single better good idea, as suggested by the slogan "1+1=11".

METHOD OF BRAINSTORMING

- **Set the problem** Before a brainstorming session, it is critical to define the problem. The problem must be clear, not too big. If the problem is too big, the facilitator should break it into smaller components, each with its own question.
- **Create a background memo** The background memo is the invitation and informational letter for the participants, containing the session name, problem, time, date, and place. The memo is sent to the participants well in advance, so that they can think about the problem beforehand.

METHOD OF BRAINSTORMING

- **Select participants** The facilitator composes the brainstorming panel, consisting of the participants and an idea collector. A group of 10 or fewer members is generally more productive.
- Several core members of the project who have proved themselves.
- Several guests from outside the project, with affinity to the problem.

METHOD OF BRAINSTORMING

- **Session conduct** The facilitator presents the problem and gives a further explanation if needed. The facilitator asks the brainstorming group for their ideas. If no ideas are forthcoming, the facilitator suggests a lead to encourage creativity. All participants present their ideas, and the idea collector records them. When time is up, the facilitator organizes the ideas based on the topic goal and encourages discussion. Ideas are categorized. The whole list is reviewed to ensure that everyone understands the ideas. Duplicate ideas and obviously infeasible solutions are removed.

METHOD OF BRAINSTORMING

- **Evaluation**
- Usually the group itself will, in its final stage, evaluate the ideas and select one as the solution to the problem proposed to the group.

Organization

The word organization is used to connote a group of people, structure of relationships and a function of management.

Group of persons: it is a group which works for the achievement of common objectives. People who form a group also demarcate their authority and responsibility.

Organization

A group has following features:

People in a group **communicate and co-operate** with each other. They work together for the achievement of goals and objectives. It is imperative that the **objective must be common** for all the members of the group. Group members also lay down the **rules and regulations** and a formal structure of relationship among themselves for a proper coordination of efforts.

Steps in organization

1. Determination of objectives: without any objective, organizing is meaningless.
2. Division of activities: it enables the members what is required of them. Also avoids duplication of efforts.
3. Fitting right persons into right jobs: it reduces the chances of errors.
4. Developing relationships: i.e. authority responsibility relationships. Who's accountable to whom.
5. coordination: i.e. the work of one employee supplements to that of the other.

IMPORTANCE OF ORGANIZATION

1. Clearly defined authority relationships: members become clear who is accountable to whom and what is expected of him.
2. Coordination: helps to establish clear cut relationship among departments.
3. Growth and diversification: facilitates growth by increasing the capacity to handle increased level of activity.

IMPORTANCE OF ORGANIZATION

4. Technological innovations: sound organization structure help modify the existing authority responsibility relationships in the wake of technological improvements.
5. Optimum use of Human resources: placing the right person at right job
6. Efficient management: other functions of management like Planning, Staffing, Directing and Controlling are dependent on it.

DEPARTMENTATION

Meaning: It is a process of division of an enterprise into different parts. The chief executive divides activities into different divisions (Departments) such as production, sales, marketing, finance etc. Further, in the marketing department there can be advertising, marketing research, customer service etc departments. These divisions are administered by the senior executives. There can primary, intermediate or ultimate departmentation.

BASES OF DEPARTMENTATION

Functional: Organization divided into a particular type of functional activity. Blue Bell ice creameries has sales, production, R &D, Distribution and finance departments.

Product: Microsoft has divided into three divisions i.e. platform products and services (windows and MSN), Business (office and business solution products) and entertainment (windows mobile and Microsoft TV)

Process: production department of a textile mill

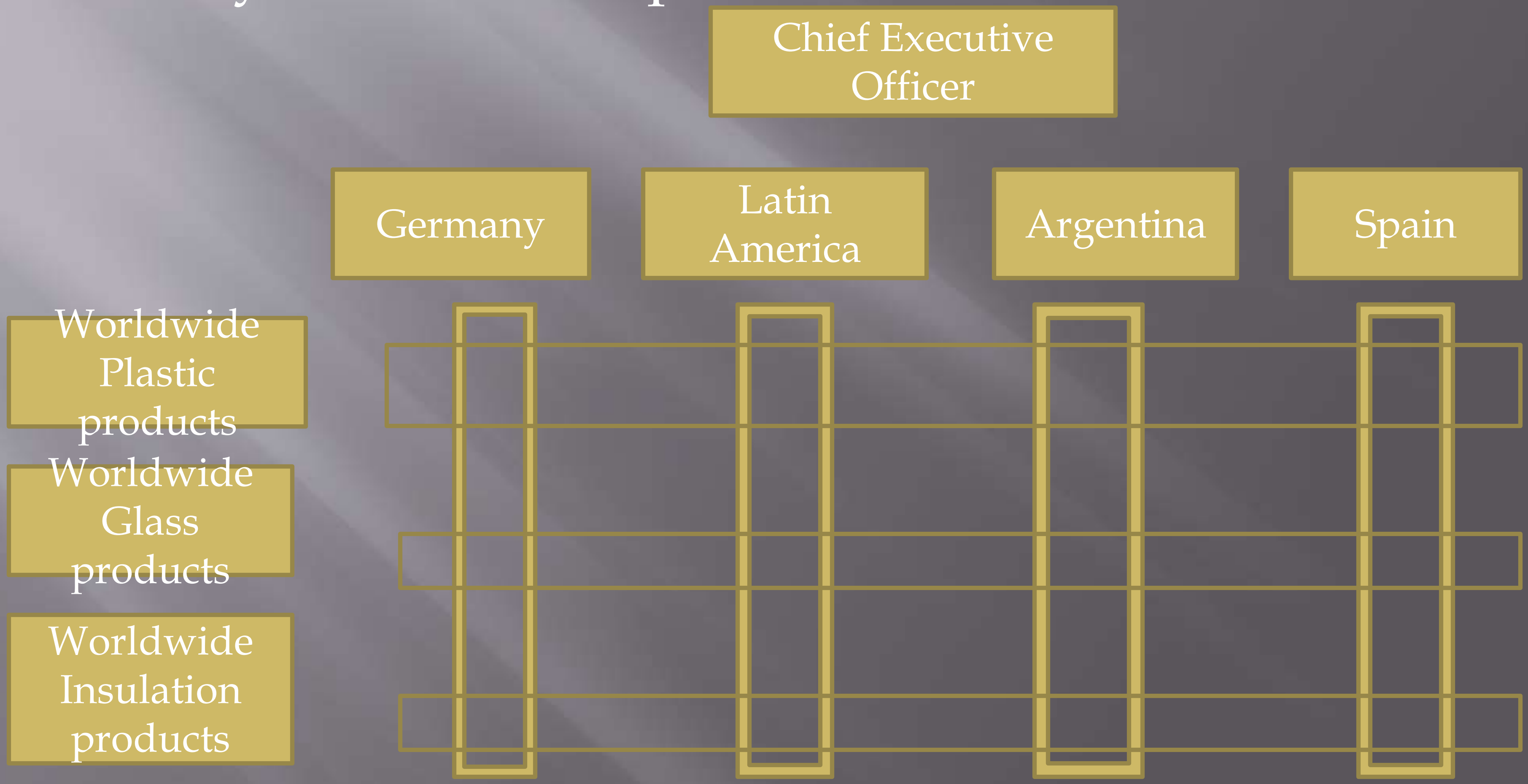
Customer: e.g. wholesale, retail and export

Territory: e.g. Colgate Palmolive is organized into regional divisions in North America, South America, the Far East and South Pacific.

BASES OF DEPARTMENTATION

MATRIX APPROACH

The subordinates will report to two superiors i.e. the country boss and the product boss.



DIFFERENCE AUTHORITY AND POWER

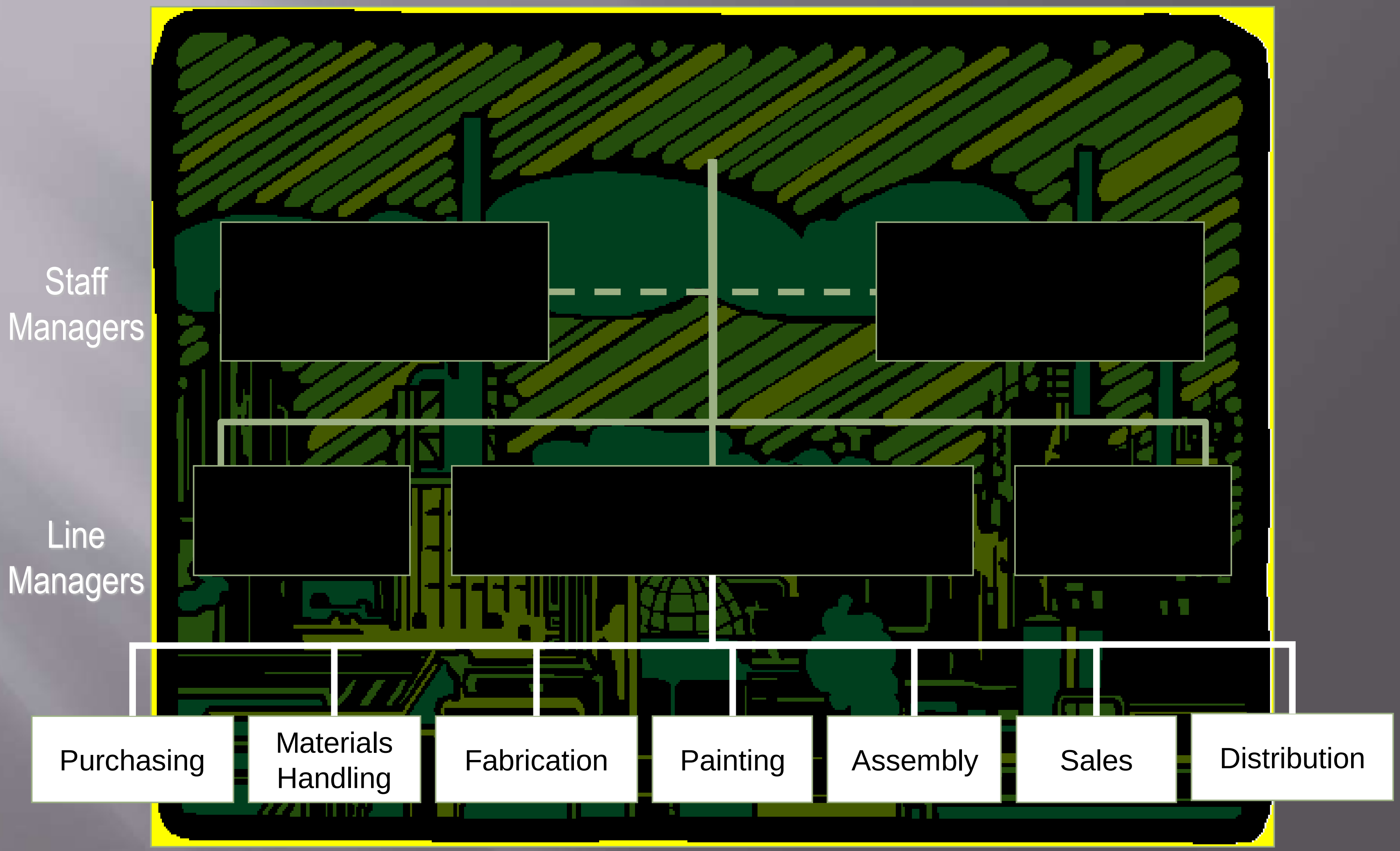
- Authority is the power to enforce law, to take command and to expect obedience from those without any authority.
- E.g. a professor has an authority over his pupils but no power.
- It is the skill of getting people to willingly do your will because of your personal influence.
- Those who have authority also have responsibility to discharge.
- Flows downward.

- Power is the ability to get the things done by others. The principle of power is to punish or reward.
- E.g. an armed robber has a power but no authority.
- In short, it is the ability to force someone to do your will even if they would choose not to.
- Power and responsibility do not go hand in hand
- It can go in any direction.

LINE AND STAFF CONCEPT

- Line organization: The quantum of authority is maximum at the top and lowest at the bottom. People at the top have a formal authority to direct and control their immediate subordinates.
- Line and staff Organization: Narrower in approach. I includes the right to advise, recommend and counsel the staff specialists.
- Functional Organization: Keeping the specialists in top position. The specialists have a limited command over the people from different department. The subordinates get order not only from their superiors but from the specialists too.

Line do the mainline functions/Staff assist



MANAGING DIRECTOR

↓	↓	↓
Production Manager	Marketing Manager	Finance Manager
↓	↓	↓
Plant Supervisor	Market Supervisor	Chief Assisstant
↓	↓	↓
Foreman	Salesman	

Line and staff conflict

The line managers view themselves as supreme as they directly accomplish the objectives of an enterprise. Therefore, staff members may feel ignored resulting into a conflict situation.

Major reasons of conflict (Line Managers View)

1. Interference in their work
2. Lack of practicality and too theoretical
3. lack of accountability
4. Credit shared by the staff specialists

Line and staff conflict

- Major reasons of conflict (Staff's Viewpoint)

1. No proper use of the staff members
2. Resistance to adopt new ideas
3. Staff do not have the proper authority to get even the best ideas executed by the subordinates.

Suggestions:

1. Clear line of demarcation i.e. line has the implementation responsibility and staff has the advisory function.
2. Line managers must justify why a particular advise can't be implemented.

Line and staff conflict

3. Staff members need to be more tolerant as the changes are always disliked first.
4. Staff personnel should give concrete suggestions to the line managers about why a certain proposal be implemented.
5. Line managers also need to understand that a certain opportunity may be missed out if timely action (as proposed by the staff) is not taken.

DELEGATION OF AUTHORITY

- Delegation is process in which a superior assigns some of the tasks within his jurisdiction to his subordinate. It enables a manager to concentrate more on some important matters.
- Elements in delegation:

1. Assignment of responsibility to the subordinate.
2. Granting of authority to the subordinate
3. Subordinate becomes responsible to his superior although the overall responsibility vests in hand of superior.

WHAT IS AUTHORITY

Authority is a legitimate right to make decisions to carry out decisions and to direct others. Managers expect to have the authority to assign work, hire or fire employees and the allotment of money. Organizations have a formal authority system that depicts the authority relationship between the people and their work. E.g. in case of line organization, superior has an authority over his subordinates. In case of line and staff, the staff has authority over the subordinates but they work with the line managers. Functional authority allows managers to direct specific processes or policies in other departments.

WHAT IS RESPONSIBILITY

- Responsibility is the obligation to accomplish the goals related to the position and the organization. In order to enable the subordinate do his duty well, it is the duty of a superior to tell him what is expected of him.
- Manager at whatever level of the organization have the same basic responsibilities when it comes to managing the workforce i.e. direct employees toward objectives, oversee the work effort of employees, deal with the immediate problems and report the progress of work to superiors.

WHAT IS ACCOUNTABILITY

It is the obligation to carry out responsibility and exercise authority in terms of performance standards. When a subordinate is given an assignment and is granted necessary authority to complete it, the final phase is holding the subordinate responsible for results. However, the extent of accountability depends upon the authority and responsibility delegated. A person cannot be held answerable to the acts not assigned to him by his superior. For effective accountability, performance standards be communicated in advance to the subordinate and he must accept it.

IMPORTANCE OF DELEGATION

1. To help the superiors concentrate on more important matters.
2. Subordinates given authority to take decisions to dispose off the matters quickly. Thus, it helps in quick decision making.
3. Employees feel motivated and try to prove themselves for the trust reposed by the superiors in them.
4. Serves as a tool for the future training of executives.
5. It improves work performance of subordinates as delegation is given according to their specialization.

PROBLEMS IN DELEGATION

Difficulties on the part of superior:

1. Resistance: That I can do the job in a better way.
2. Lack of ability of a manager to correctly issue instructions to the subordinates.
3. Lack of willingness to let go: superior wants to have dominance over the work of subordinates
4. Lack of trust in subordinates: because of their inability
5. Ineffective controls: where the manager does not set up adequate controls or he has no means of knowing the proper use of authority, he may feel hesitant to delegate the authority

PROBLEMS IN DELEGATION

Difficulties on the part of subordinate:

1. Lack of self confidence
2. Desire to play safe by depending upon the boss for all decisions.
3. Fear of committing mistakes and then criticized
4. Overburden with duties
5. Inadequacy of information for performing the duties.

Difficulties on the part of organization:

1. Non clarity of authority responsibility structure
2. Lack of effective control   3. Inadequate planning

GUIDELINES FOR EFFECTIVE DELEGATION

1. **Clear cut objectives** i.e. the subordinate must know the objective of work delegated to him
2. **Unity of command** i.e. the subordinate must receive orders from a single executive.
3. **Clear explanation of the work assigned and authority delegated**
4. **Reasonable control over delegatee** i.e. executive may evaluate the performance and issue necessary instructions from time to time.
5. **No intervention in day to day work** of the delegatee
6. The subordinates must be **reasonably trained** for the job

Decentralization

Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern only. Rest of the authority may be delegated to the middle level and lower level of management. In other words, it is the diffusion of authority in a planned way.

REASONS FOR DECENTRALIZATION

1. Better access to local information: Local managers know better about the local conditions like strength and nature of local competition, local labour work force etc.
2. More timely response: In centralized form information sent to head office and results awaited. In decentralized local managers can quickly respond to customers demands.
3. Focus on central management: Central management gets free to concentrate on more important issues.

REASONS FOR DECENTRALIZATION

4. Training and evaluation of segment managers: it gives a chance to senior managers to evaluate the capabilities of subordinate managers.
5. Motivation of segment managers: self esteem and self actualization needs of the segment managers get satisfied. Greater responsibility supplies them more satisfaction and motivate them to exert greater effort.

TYPES OF DECENTRALIZATION

- **Political Decentralization:** It aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives. Advocates of political decentralization assume that decisions made with greater participation will be better informed

TYPES OF DECENTRALIZATION

- **Administrative decentralization:** It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities. There are three major forms of administrative decentralization -- deconcentration, delegation, and devolution

TYPES OF DECENTRALIZATION

- **Deconcentration:** It is often considered to be the weakest form of decentralization and is used most frequently in unitary states. It redistributes decision making authority and financial and management responsibilities among different levels of the *central* authority.
- **Delegation.** Through delegation central authority transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central authority, but ultimately accountable to it.

TYPES OF DECENTRALIZATION

- **Devolution.** When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions.

TYPES OF DECENTRALIZATION

Economic or Market Decentralization: Privatization and deregulation shift responsibility for functions from the public to the private sector.

Privatization include:

- allowing private enterprises to perform functions that had previously been monopolized by government;
- contracting out the provision or management of public services or facilities to commercial enterprises
- transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

TYPES OF DECENTRALIZATION

- Deregulation reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies.
- **Silent Decentralization:** It is a decentralization in the absence of reforms

SPAN OF MANAGEMENT

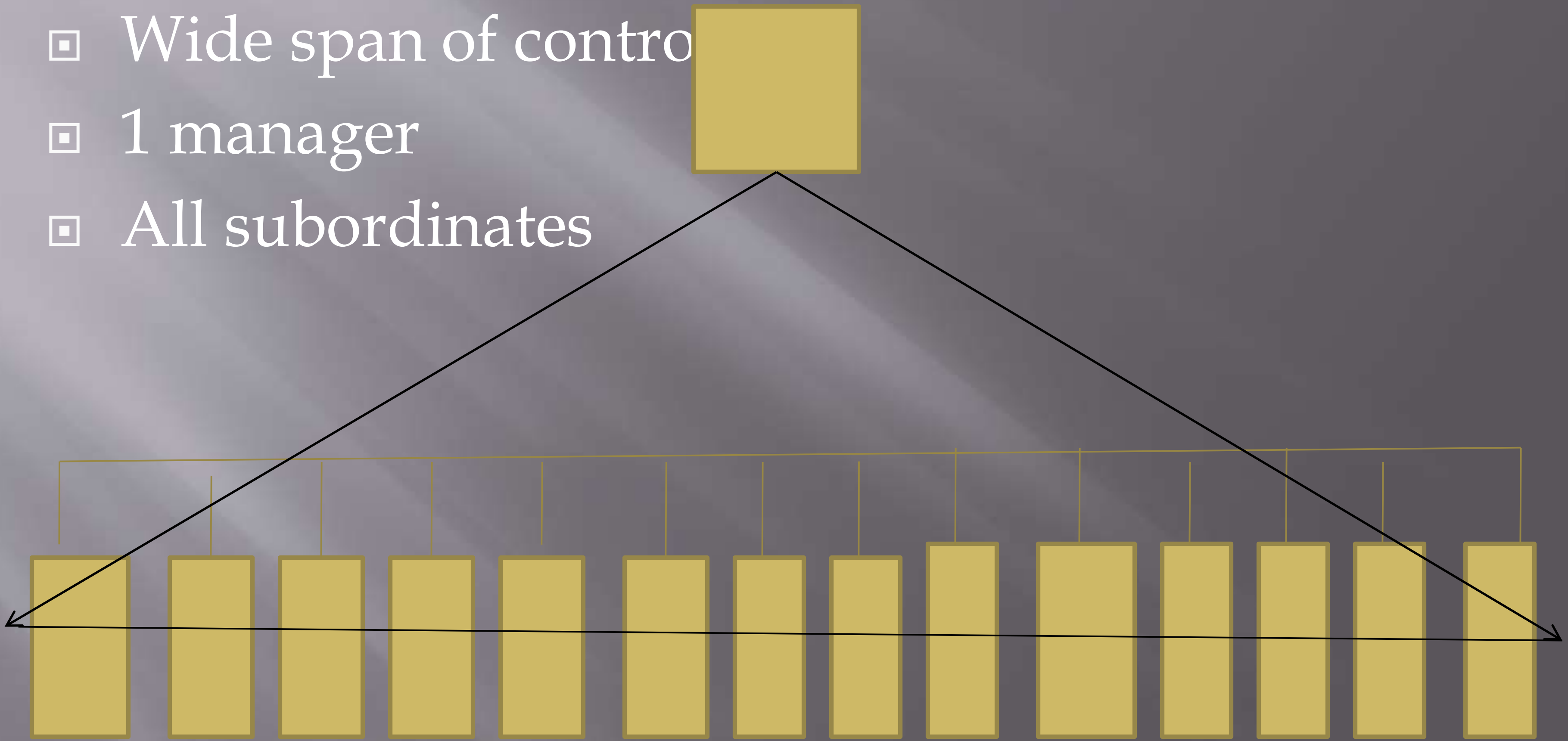
- It refers to the number of subordinates that can be handled effectively by a superior in an organization.
- It can be of two types: Narrow span and Wide span.
- Narrow Span of management means a single manager or supervisor oversees few subordinates.
- A wide span of management means a single manager or supervisor oversees a large number of subordinates.

SPAN OF MANAGEMENT

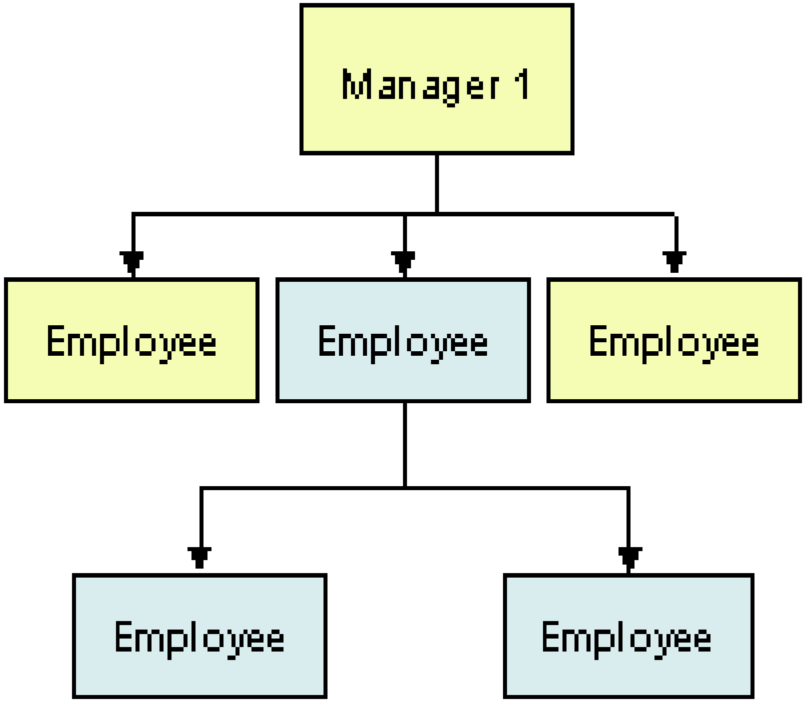
- There is an inverse relation between the span of management and the number of hierarchical levels in an organization, i.e., narrow the span of management, greater the number of levels in an organization.
- Narrow span of management is more costly compared to wide span of management as there are larger number of superiors.

WIDE SPAN OF CONTROL

- Wide span of contro
- 1 manager
- All subordinates



Example of a Narrow Span of Control



Each employee holding a position of authority is responsible for at least two others – i.e. the span of control is at least 2

Factors affecting span of control

i) Function: Function refers to the nature of the work to be supervised. Where the nature of work is of a routine, repetitive, measurable and identical character, the span of control is more than when the work is of different character.

ii) Time: In old and established organizations, things get stabilized. Such organizations run themselves well through rapid supervision. But newer organizations demand reference to the superiors.

Factors affecting span of control

iii) Space: Space refers to the place of work. If the subordinates are under the same roof along with the supervisor, supervision becomes easier and quicker. If they work at different places, supervision becomes difficult as they escape his personal attention.

iv) Personality of supervisor and of the subordinates; If a supervisor is competent, energetic and intelligent, he can supervise the work of a large number of subordinates.

Factors affecting span of control

v) Delegation of authority: Some supervisors keep only a few functions for themselves and delegate the rest to their subordinates. By doing so they can supervise a large number of subordinates.

- vi) Techniques of supervision: Where a direct supervision of the supervisor is required, the span of control will be less and vice versa.

HISTORY OF SPAN OF CONTROL

- An argument for a narrow span of control was presented by V.A. Graicunas, who developed a formula showing that an arithmetic increase in the number of a manager's subordinates resulted in a geometric increase in the number of subordinate relationships that a manager had to manage. According to Graicunas, managers must manage not only one-to-one direct reporting relationships, but also relationships with various groups of subordinates and the relationships that exist between and among individual subordinates.

HISTORY OF SPAN OF CONTROL

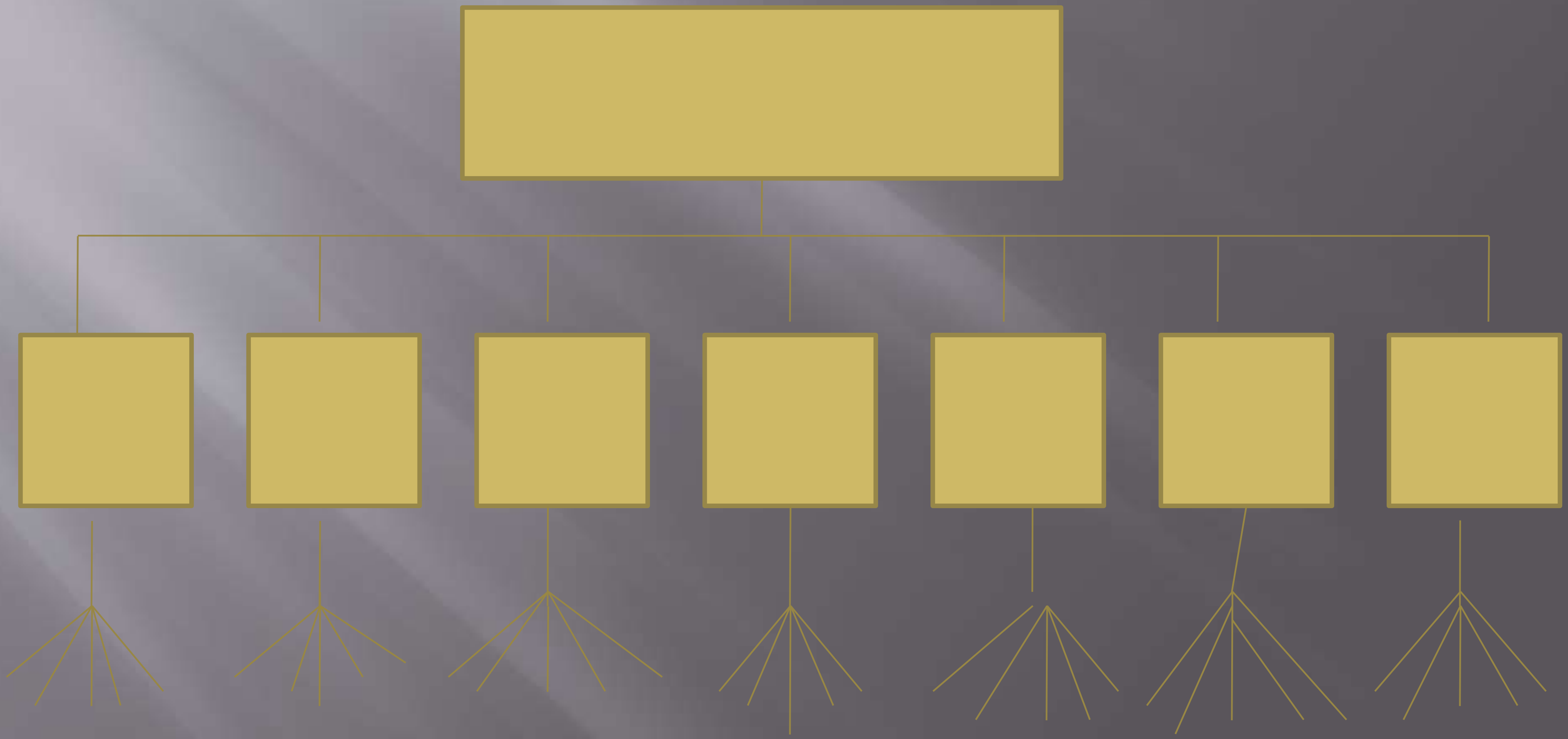
A group of six factory workers reporting to a supervisor presents a less complex problem than six division presidents reporting to the CEO of a large company. And six presidents of completely independent divisions presents a simpler problem than six vice presidents of closely integrated divisions. Regardless of these considerations, the number of relationships a superior must attend to rises exponentially after the fourth subordinate.

HISTORY OF SPAN OF CONTROL

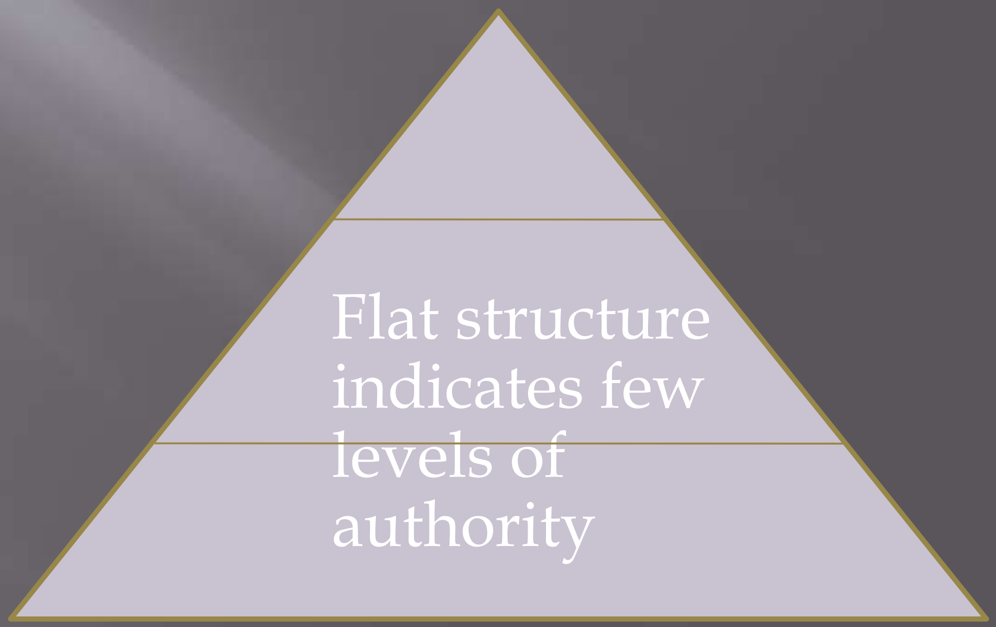
- Thus Graicunas cautioned any executive seeking to add a fifth directly reporting subordinate to consider the fact that this would add 20 new relationships for himself and nine for each of his current colleagues. The total number of relationships would increase by 56, going from 44 to 100. As Graicunas noted, this was "an increase in complexity of 127 per cent in return for a 20 per cent increase in working capacity."

SCALAR CHAIN

- It refers to the number of different levels in the structure of organization.



SCALAR CHAIN



Coordination

- Coordination is the synchronization and integration of activities, responsibilities and command and control structures to ensure that the resources are used most efficiently in pursuit of the specified objectives.
- In simple words, Coordination is the way through which people can be made to work together and to cooperate with each other to attain the final aims of the organization.

IMPORTANCE OF COORDINATION

1. Better accomplishment: it avoids the duplication of efforts.
2. Economy and efficiency: by avoiding wastage of resources and duplication of efforts.
3. High morale: in organizing and staffing it leads to job satisfaction of employees.
4. Better human relations: because the authority responsibility relationships are clear
5. Integration of goals: it brings unity of action.

COORDINATION -THE ESSENCE OF MANAGING

1. Planning and coordination: various types of plans like objectives, policies, strategies and programmes serve as means of coordinating the activities of an enterprise.
2. Organizing and coordination: when authority is delegated coordination is the last thing which a manager looks for from different managers.
3. Staffing and coordination: coordination between the job requirement and the personnel appointed.

COORDINATION -THE ESSENCE OF MANAGING

4. Directing and coordination: To ensure smooth directing of subordinates, supervision, motivation, leadership and communication require proper coordination.

5. Controlling and coordination: a manager keeps on monitoring the performance is it is as per the desired standards or not. If the performance does not match the required standards, the manager will take remedial steps. By this way he will achieve coordination.

DIFFICULTIES IN COORDINATION

- Uncertain features such as natural phenomena like rains, floods, droughts or abnormal changes in the behaviour of subordinates poses a great challenge to effective coordination.
- The confused and conflicting ideas of the managers act as a constraint.
- Lack of administrative skills and adequate knowledge of necessary techniques by the managers.

DIFFICULTIES IN COORDINATION

- Lack of orderly method of developing and adopting new ideas and programmes act as a constraint for effective coordination.
- A vast number of variables due to the incompleteness of human knowledge limit the degree of coordination

Effective coordination techniques

1. Well defined objectives: unity of purpose is must for achieving proper coordination.
2. Effective chain of command: clear cut authority responsibility relationships help in reducing the conflicts.
3. Precise programmes and policies: it brings uniformity in action.
4. Effective communication: quick communication helps in synchronizing the other activities to be performed.

Effective coordination techniques

5. Effective leadership: it helps coordination both at the planning and implementation stage.
6. Cooperation: the individuals in an organization must be willing to help each other voluntarily.
7. Committees: it includes the advisors who try to integrate the views of different groups in an organization.

CONTROLLING

Control refers to a systematic process of regulating organizational activities to make them consistent with the expectations established in plans, targets and standards of performance. Effectively controlling an organization requires an information about performance standards and actual performance, as well as actions taken to correct any deviations from the standards.

FEATURES OF CONTROL

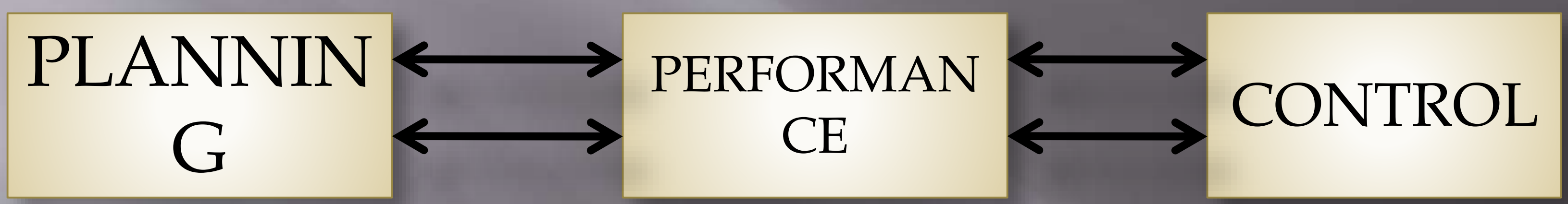
1. Managerial function: it's a follow up action to other functions of management.
2. Forward looking: it's a corrective function related to future events only as past can't be controlled. It aims at minimizing losses, wastages and deviations from standards.
3. Review of past events: the deviations in the past are revealed by the control process. Its called feedback information. Thus, it facilitates the reasons for poor performance.

FEATURES OF CONTROL

4. Action oriented: It is only action which adjusts performance to predetermined standards whenever deviations occur.
5. Continuous process: it involves constant analysis of standards, policies, procedures etc. a manager needs to perform this function with other functions.
6. Dynamic process: control results in corrective actions which may lead to a change in the performance of other functions of management.

Relationship between Control and Planning

When a plan becomes operational control is required to measure performance, finding out the deviations and then taking corrective actions.



Planning also depends upon controlling as a manager uses standards for measuring and appraising performance which are laid down by the plans. If the standards are not pre set manager won't be knowing what is to be controlled.

PROCESS OF CONTROL

1. Establish standards of control: it is the criteria for performance. It may include reducing the rejection rate from 15 to 3 percent, increasing the corporation's return on investment to 7 percent or reducing the number of accidents to one per week. Standards should be accurate, precise, acceptable and workable.
2. Measure actual performance: many organizations prepare formal reports of quantitative performance measurements that managers review, daily, weekly or monthly. Regular review of reports helps managers stay aware of whether the organization is doing what it should. Not only the quantitative measures are used, qualitative measures are also used particularly when customer satisfaction or employee satisfaction is to be measured.

PROCESS OF CONTROL

3. Compare performance to standards: The actual performance is compared with the set standards. When performance deviates from the standards, managers dig beneath and try to find out the cause of the problem. E.g. a salesman was expected to give 10 percent increased sales but he could give only 6 percent increased sales. The possible causes could be several business on his routes were closed owing to a holiday, additional sales people were applied by the competitors or he needs more training to make a sales call. Managers must take an inquiring approach to deviations in order to gain a broad understanding of factors that influence performance.

PROCESS OF CONTROL

4. Take corrective action: in traditional top down approach to control, managers used to encourage employees to work harder, redesign the production process or fire employees. However, in participative approach manager collaborates with employees to determine the corrective action necessary. Sometimes even standards need to be altered to make them realistic in case none of the employees could realize them. Managers may wish to provide positive reinforcement in case all the targets set are met.

Note: these are also the steps in feedback control

Feed Forward Control

- Feed forward control focuses on the regulation of inputs (human, material, and financial resources that flow into the organization) to ensure that they meet the standards necessary for the transformation process.
- Feed forward controls are desirable because they allow management to prevent problems rather than having to cure them later. Unfortunately, these control require timely and accurate information that is often difficult to develop. Feed forward control also is sometimes called preliminary control, pre control, preventive control, or steering control.

FEED BACK CONTROL

- This type of control focuses on the outputs of the organization after transformation is complete. Therefore, also called **post action** or **output control**. For one thing, it often is used when feed forward and concurrent controls are not feasible or are to costly.
- Moreover, feedback has two advantages over feed forward and concurrent control. *First*, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.
- If the deviation is great, a manager can use this information when formulating new plans to make them more effective. *Second,* feedback control can enhance employees motivation

CONCURRENT CONTROL

- Concurrent control takes place while an activity is in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.
- Since concurrent control involves regulating ongoing tasks, it requires a through understanding of the specific tasks involved and their relationship to the desired and product.
- Concurrent control sometimes is called **screening** or **yes-no control**, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

Tools and techniques of controlling

- Budget and budgetary control system: a budget is a plan or programme of future action which is prepared on the basis of estimates or forecasts made for coming operating period. It anticipates income for a given period and the costs to be incurred in order to get this income.
- A budget which is prepared for the organization as a whole is known as master budget. Budget prepared for certain functional areas such as sales, distribution, production and finance is known as functional or operating budget.

Budgetary control

- It is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing the responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. It is an intelligent consideration of future events. It clarifies objectives, helps in the best utilization of resources and is helpful in the control of performance and costs.
- Zero base budgeting: it was introduced for the first time in preparing the divisional budgets in 1971 in USA. Under this each manager has to justify the entire budget in detail from zero base.

Zero base budgeting

- In this rapidly changing environment goals continuously keep on changing. The goals need to be redefined in a logical manner. The past year financial allocations may not serve any purpose. It calls for a new allocation of resources. All the proposals are drawn from the scratch.
- Basic steps in ZBB:

1. Identification of decision units:
2. Analysis of decision units:
3. Evaluation and ranking of all decision units
4. Allocation of resources to each unit.

Types of budgets

- Performance budgeting: which indicates whether an organization is getting adequate results for the money spent.
- Fixed budget: it is a budget that remains unchanged irrespective of the level of activity actually attained. But if the level of production does not conform to the standards established this budget serves no purpose.
- Flexible budget: it gives the budgeted costs for different levels of activity. It is of great help at times when it is not possible to exactly forecast the sales.
- Control by exception: the significant deviations if any from the standards set be only brought to the notice of top management. Small deviations be tackled by the junior managers only.

Marginal costing

Case I

100 units are produced

MC of producing one unit is Rs. 50.

(100 x 50 = Rs. 5000)

Fixed cost is Rs. 1000

Total Cost is

Marginal cost 5000

+ Fixed cost 1000

= Total Cost 6000

Case II

If 101 units are produced

MC will rise to Rs. 5050

(101 x 50 = Rs. 5050)

Fixed cost is Rs. 1000

Total Cost is

Marginal cost 5050

+ Fixed cost 1000

= Total Cost 6050

Till the time production does not

reach full capacity, all the decisions

are taken by MC.

Break even analysis

- The point where TR = TC.

Management auditing

- It may be defined as a comprehensive and constructive review of the performance of management team of any organization. It undertakes a systematic search of the effectiveness and efficiency of the management.
- It locates the deficiencies in the performance of various functions and suggest possible improvements.
- It scope is very wide. It identifies if the functions like planning, organizing, staffing, directing and controlling are being performed efficiently or not.

NEW TECHNIQUES OF CONTROL

- Yugo was the lowest priced car in the US market in 1985, but within 4 years the concern got bankrupt largely because of the quality problems both in products and service. In contrast, Toyota steadily gained the market share and is expected to soon overtake General Motors which is the world's top selling auto maker.
- The total quality management became attractive to the US managers as it had been successfully implemented by the Japanese companies such as Toyota, Canon and Honda. The TQM philosophy focuses on teamwork, increasing customer satisfaction and lowering the costs. Major TQM techniques involve the use of techniques like quality circles, benchmarking, six sigma principles, reduced cycle time and continuous improvement.

NEW TECHNIQUES OF CONTROL

- Quality circles: it is a group of 6-12 volunteer employees who meet regularly to discuss and solve the problems affecting work. Circle members are free to collect data and take surveys. The reason for promoting quality circles is that these people know the day to day tasks and problems and can easily recommendations.
- Benchmarking: it is the continuous process of measuring products, services and practices against the toughest competitors or recognizing the industry leaders to identify the areas of improvement. Of course, only those companies be selected whose methods are compatible.

NEW TECHNIQUES OF CONTROL

- Six sigma: these were first introduced by Motorola in 1980s. It is based on Greek letter sigma which means how far something deviates from perfection. It is a highly ambitious quality standard that specifies not more than 3.4 defects per million parts i.e. 99.9997 percent accuracy. Now it has become a generic term which indicates higher quality and lower costs. 100s of companies like General Electric, Allied Signal, Cox communications and DuPont and Co. have used six sigma program in recent years.

99 PERCENT AMOUNTS TO	SIX SIGMA AMOUNTS TO
23087 defective computers shipped each month	8 defective computers shipped each month
7.2 hours per month without electricity	9 seconds per month without electricity
800,000 mishandled personal checks each day	3 mishandled personal checks each day

NEW TECHNIQUES OF CONTROL

- Reduced cycle time: it refers to the steps taken to complete a company process. Even if an organization decides not to use quality circles or other techniques, substantial improvement is possible by focusing on improved responsiveness and acceleration of activities into a shorter time.
- Continuous improvement: Japanese companies have realized extraordinary success from making a series of mostly small improvements. This approach is called continuous improvement or *Kaizen*. It is the continuous implementation of a large number of small incremental improvements in all areas of an organization on an ongoing basis. The innovations can start simple and the employees can build on their success in this unending process.

THANK YOU