PLANNING

Organizations have to typically plan for long-range and short-range future direction. By forecasting and predicting the market and socio-political-economic trends, managers can plan to determine where they desire the company to be in future. Planning involves determining various types and volumes of physical and other resources to be acquired from outside, allocating these resources in an efficient manner among competing claims and to make arrangement for systematic conversion of these resources into useful outputs. Since plans are made to attain goals or objectives, every plan should lead to the achievement of the organization's purpose and objectives. An organized enterprise exists to accomplish group objectives through willing and purposeful co-operation. Planning bridges the gap between where the organization stands currently and wishes to be in future. In the absence of planning, events are left to chance.

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

- ❖ According to Urwick, "Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses".
- ❖ According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

NATURE OF PLANNING

❖ **PLANNING IS GOAL-ORIENTED:**
- ✓ Planning is made to achieve desired objective of business.
- ✓ The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
- ✓ Planning identifies the action that would lead to desired goals quickly & economically.

❖ **PLANNING IS LOOKING AHEAD:**
- ✓ Planning is done for future.
- ✓ It requires peeping in future, analyzing it and predicting it. Thus planning is based on forecasting.

❖ **PLANNING IS AN INTELLECTUAL PROCESS:**
- ✓ Planning is a mental exercise involving creative thinking, sound judgement and imagination.
- ✓ It is not a mere guesswork but a rotational thinking.
- ✓ A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
- ✓ Planning is always based on goals, facts and considered estimates.

- ❖ **PLANNING INVOLVES CHOICE & DECISION MAKING:**
- ✓ Planning essentially involves choice among various alternatives. Therefore, if there is only one possible course of action, there is no need planning because there is no choice. Thus, decision making is an integral part of planning.
- ✓ A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

- ❖ **PLANNING IS THE PRIMARY FUNCTION OF MANAGEMENT :**
- ✓ Planning lays foundation for other functions of management.
- ✓ It serves as a guide for organizing, staffing, directing and controlling.
- ✓ All the functions of management are performed within the framework of plans laid out. Therefore planning is the basic or fundamental function of management.

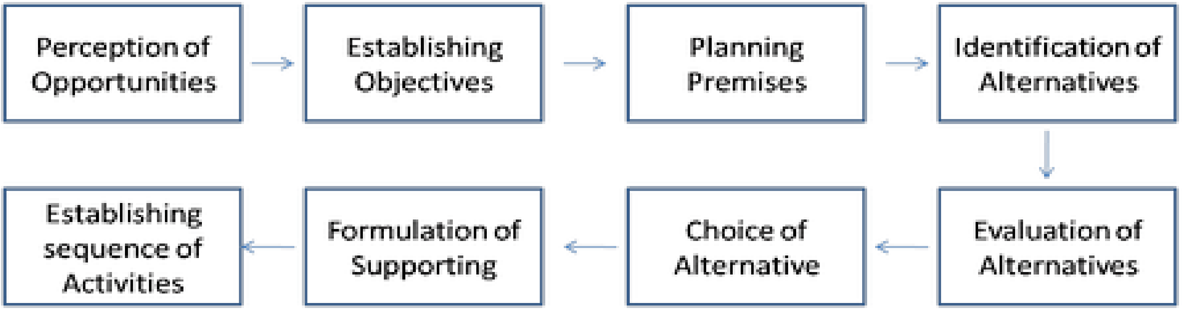
- ❖ **PLANNING IS A CONTINUOUS PROCESS:**
- ✓ Planning is a never ending function due to the dynamic business environment.
- ✓ Plans are also prepared for specific period f time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.

- ❖ **PLANNING IS ALL PERVASIVE:**
- ✓ It is required at all levels of management and in all departments of enterprise.
- ✓ Of course, the scope of planning may differ from one level to another. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

PURPOSE OF PLANNING

- **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
- **To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
- **To secure economy in operation:** Planning involves the selection of most profitable course of action that would lead to the best result at the minimum costs.
- **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
- **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
- **To increase organizational effectiveness:** Mere efficiency in the organization is not important. It should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

PROCESS OF PLANNING



Planning Process

- **Perception of Opportunities:** Perception of opportunities includes a preliminary look at possible opportunities and the ability to see them clearly and completely, a knowledge of where the organization stands in the light of its strengths and weaknesses, an understanding of why the organization wants to solve uncertainties, and a vision of what it expects to gain. Planning requires realistic diagnosis of the opportunity situation.
- **Establishing Objectives:** At this stage, major organizational and unit objectives are set. Objectives specify the results expected and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to. be accomplished by the various types of plans. The organizational objectives should be specified in all key result areas. Key result areas are those, which are important for organization in achieving its objectives. These are identified on the basis of organizational objectives.
- C**onsidering the Planning Premises:** Planning premises refer to the expected environmental and internal conditions. Thus, planning premises are external and internal.
  - **E**xternal premises include total factors in task environment like political, social, technological, competitors' plans and actions, government policies, etc.
  - Internal factors include organization's policies, resources of various types, and the ability of the organization to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

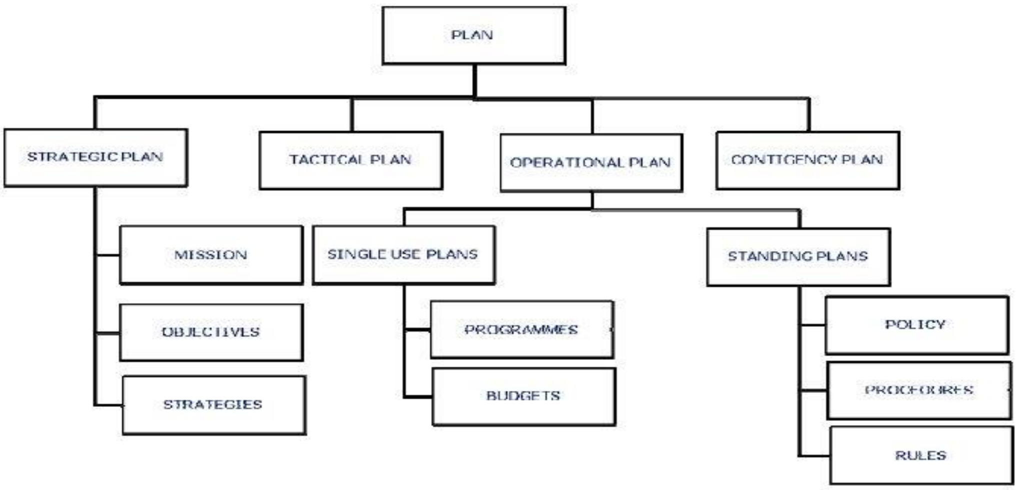
  Forecasting plays a major role in planning premises. The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organizational hierarchy, the composition of planning premises changes from external to internal. For eg, a superior's plans affecting a sub-ordinate manager's area of authority become premises for the latter's planning.

- **Identification of alternatives:** Based on the organizational objectives and planning premises, various alternatives can be identified. The concept of various alternatives suggests that a particular objective can be achieved through various actions. For example, if an organization has an objective to grow further, it can be achieved in several ways (i.e) through expansion, diversification, merger, takeover etc.
- **Evaluation of alternatives -**Various alternatives which are considered feasible in terms of preliminary criteria may be taken for detailed evaluation. Evaluation is made on the basis of how each alternative contributes to the organizational objectives in the light of its resources and constraints.
  - Each alternative may have certain positive points on one aspect but negative on others. For example, one alternative may be most profitable but requires heavy

investment with long gestation period; another may be less profitable but also involves less risk.
- Moreover, there is no certainty about the outcome of any alternative because it is related with future and future is not certain. It is affected by a large number of factors making the evaluation work quite complex.

- **Choice of alternative plans -** An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.
- **Formulation of Supporting Plans -** After decisions are made and plans are set, the final step to give them meaning is to numerize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance sheet items such as cash and capital expenditures.
- **Establishing sequence of activities -** Once plans that furnish the organization with both long-range and short-range direction have been developed, they must be implemented. Obviously, the organization can not directly benefit from planning process until this step is performed.

TYPES OF PLANS



1.STRATEGIC PLANS : Strategic plans define the framework of the organization's vision and how the organization intends to make its vision a reality. It is the determination of the long-term objectives of an enterprise, the action plan to be adopted and the resources to be mobilized to achieve these goals. Since it is planning the direction of the company's progress, it is done by the top management of an organization. These plans provide the framework and direction for lower level planning.

- **Mission:** The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company usually answers the question "why" the organization exists? Properly crafted mission statements serve as filters to separate what is important from what is not, clearly state which markets will be served and how, and communicate a sense of intended direction to the entire organization.

Mission of Ford: "We are a global, diverse family with a proud inheritance, providing exceptional products and services".

- **OBJECTIVES**: Objectives are the ends towards which the activities are directed. They are the end result of every activity. An objective
- ✓ Should be related to single activity
- ✓ Should be related to result and not to activity to be performed
- ✓ It should be measurable or must be measured in quantitative term;
- ✓ It must have a time limit for achievement of objective;
- ✓ It must be achievable or feasible. For example, increase in sale by 10% or decrease in rejections by 2%.

- **STRATEGY:** A strategy is a comprehensive plan to achieve the organisational objectives. Strategy emphasizes on
  - ✓ Determining long term objectives.
  - ✓ Adopting a particular course of action.
  - ✓ Allocating resources for achieving the objectives.

Strategy formulation is the task of top level people and it is must to scan and understand clearly the business environment before framing the strategy.

2.TACTICAL PLANS: Tactical plans describe the tactics that the managers plan to adopt to achieve the objectives set in the strategic plan.

- ✓ Tactical plans span a short time frame (usually less than 3 years) and are usually developed by middle level managers.
- ✓ It details specific means or action plans to implement the strategic plan by units within each division.
- ✓ Tactical plans entail detailing resource and work allocation among the subunits within each division.

3. OPERATIONAL PLANS: Operational plans are short-term (less than a year) plans developed to create specific action steps that support the strategic and tactical plans. They are usually developed by the manager to fulfill his or her job responsibilities. They are developed by supervisors, team leaders, and facilitators to support tactical plans. They govern the day-to-day operations of an organization. Operational plans can be

- **STANDING PLANS:** Standing plans are also known as Repeat Use Plans. These plans focus on situations which occur repeatedly. Standing plans are used over and over again. They are made once but retain their value over a period of years.

  - **RULES:** Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules. Rules are supposed to be followed strictly and if rules are not followed then strict actions can be taken against employees who disobey the rules. Rules generally guide the general behaviour of the employees and employees cannot make any changes in them.
  - **POLICIES**: A Policy is a standing plan that furnishes broad guidelines for taking action consistent with reaching organizational objectives. Policy can be defined as

organization’s general response to a particular problem or situation. Policy acts as a guide to take decisions in unexpected situation.

Policy formation always encourages initiatives of employees because employees have to deal with situations and the way of handling the situation is decided in consultation with the employees.

- ✓ Certain schools and colleges may have a policy of admitting students who have scored more than 60%
- ✓ “No credit sale policy”, in business firms

- ➢ **PROCEDURES:** A Procedure is a standing plan that outlines a series of related actions that must be taken to accomplish a particular task. Procedures outline more specific actions than policies do. Procedures are required steps established in advance to handle future conditions.

- ▪ **SINGLE USE PLANS:** Single use plans are one time use plan. These are designed to achieve a particular goal and are made to meet the needs of unique situations. The duration or length of single use plan depends upon the activity or goal for which it is made. It may last one day or it may last for weeks or months if the project for which it is made is long.

- ➢ **PROGRAMMES:** A Program is a single use plan to carry out a special project within an organization. The Project itself is not intended to remain in existence over the entire life of the organization. It contributes to the organization’s long term success. Programmes are the combination of goals, policies, procedures and rules.
- ➢ **BUDGET**: Budget is the statement of expected result expressed in numerical terms. A Budget is a single user financial plan that covers a specified length of time. It details how funds will be spent on labour, raw materials, capital goods, information systems, marketing and so on, as well as how the funds will be obtained. In budgets the results are always measurable and most of the time these are financial in nature but it does not mean that company prepares only financial budget.

  - ✓ **Financial budget :** It is also known as profit plan of the company because it includes the expected income and related expenditures with that income and the profit which the company will earn in the coming year.
  - ✓ **Operational budget:** It is prepared where instead of finance hourly units are used stating expected hours the employees will be working. Lower level managers generally prepare operational budgets.
  - ✓ **Cash budget:** This budget estimates the expected cash inflow and cash outflow over a period of time. Cash inflow comes from sales and cash outflow is in the form of expenses. Businessmen can find out net cash position by subtracting cash outflow from cash inflow.

4. CONTINGENCY PLANS: Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a “keeping all options open” approach at all times. Unexpected problems and events frequently occur. So managers need to have alternative plans in queue to face the contingencies.

OBJECTIVES

Objectives or goals are the ends towards which every activity is aimed-they are the results to be achieved. Objectives are a prerequisite for planning. No planning is possible without setting up of objectives. While enterprise objectives are the basic plan of the firm, a department may also have its own objectives. Though departmental objectives will contribute to the attainment of enterprise objectives but the two sets of goals may entirely be different. For example, the objective of the enterprise may be to earn a certain amount of profit, while selling its products.

Enterprise objectives influence the management philosophy and practice. Objectives have greater influence on the working of an organization. All other types of plans such as policies, strategies, procedures, rules, budgets etc. assist in the attainment of stated enterprise objectives in an economical and efficient manner. Objectives are related to the future and are an essential part of the planning process.

MANAGEMENT BY OBJECTIVES

The expansion of business in size and changes in technology have necessitated a new thinking in managerial approach. A number of new techniques of management have been developed in the recent past and Management by Objectives (MBO) is one of them. MBO is one of the techniques by which executives can improve organizational performance and effectiveness. The idea of MBO was contributed by Donaldson Brown and Alfred Sloan in 1920s and Edward Hagenin in 1930s. Peter Drucker, known as father of MBO technique, coined this term in 1954.

The process of setting objectives in the organization to give a sense of direction to the employees is called as Management by Objectives. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace. Management by Objectives defines roles and responsibilities for the employees. Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.

According to Koontz and Weihrich, “Management by objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.”

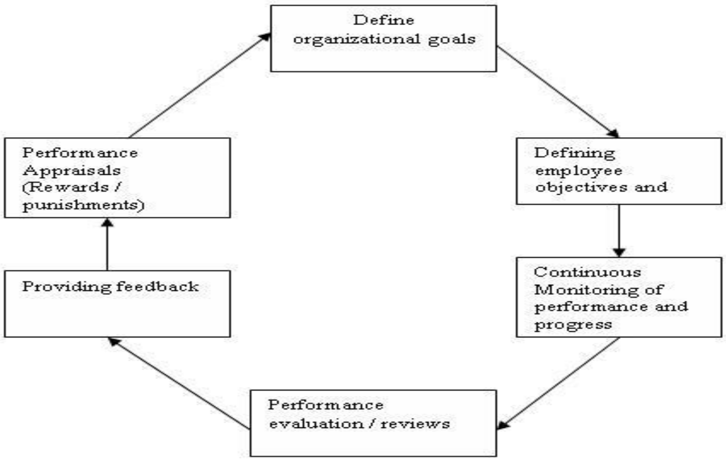
FEATURES OF MBO

- MBO is not merely a technique but a philosophy to management. A technique is applicable only in specified areas but a philosophy or approach guides and influences every aspect of management.
- In this approach various objectives of the organization and of individuals are collectively decided by superiors and subordinates. These objectives become the targets which are to be achieved by various persons in the organization. The review of objectives is also done collectively.

- The corporate, departmental and individual objectives are used as a yardstick to measure performance. A comparison of targets and actual results will enable managers to judge the performance of subordinates and top level will similarly assess the performance of managers.
- MBO provides for a regular review of performance. This review is normally held once in a year. It emphasizes initiative and active role by the manager who is responsible for achieving the objectives.
- The objectives in MBO provide guidelines for appropriate system and procedures. The degree of delegation of authority, fixation of responsibility, allocation of resources etc. can be decided on the basis of objectives of various individuals.

PROCESS OF MBO

The process of MBO involves six key steps that incorporates managerial activities in such a systematic way, which is directly influenced towards efficient and effective achievement individuals and organizational objectives.



Process of MBO

- **Determining Organizational Goals -** The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas' (KRA).
- **Determining Employees' Objectives -** After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources they will use to achieve the goal. Allocation of resources should also be done in consultation with the subordinates.
- **Constant Monitoring Progress and Performance -** The process of MBO is not to provide additional effectiveness to managers across the organization. Constant monitoring of progress and performance of the employees are also essential. Monitoring performance and progress involves
  - ✓ Defining short and long term plans and objectives
  - ✓ Installing efficient and effective controls

- ✓ Composing sound structure of the organization

- ❖ **Performance Evaluation-**As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion.
- ❖ **Providing Feedback -** Feedback on behavior, attitude, skill or knowledge helps the employees to know about the job expectations their managers have for them. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. Moreover, feedback also helps individuals to know their weakness.
- ❖ **Performance Appraisal –** There should be periodic reviews of progress between a manager and the subordinates. These reviews would determine if the individual is making satisfactory progress. They will also reveal if any unanticipated problems have developed. They also improve the morale of subordinates since the manager takes an active participation in the subordinate's work and progress.

ADVANTAGES OF MBO

- All managers have a clear idea of the important areas of their work and of the standards required.
- The performance of staff can be assumed and their needs for improvement highlighted.
- Greater participation may improve morale and communication.
- It makes individuals more aware of organisational goal.

DISADVANTAGES OF MBO

- It takes a few years to be effective.
- Some companies always tend to raise goals. If these are too high, employees become frustrated.
- Appraisals are sometimes made on personality traits rather than on performance.
- Some employees do not want to be held responsible and goals forced upon them may lead to ill-feeling.

STRATEGIES

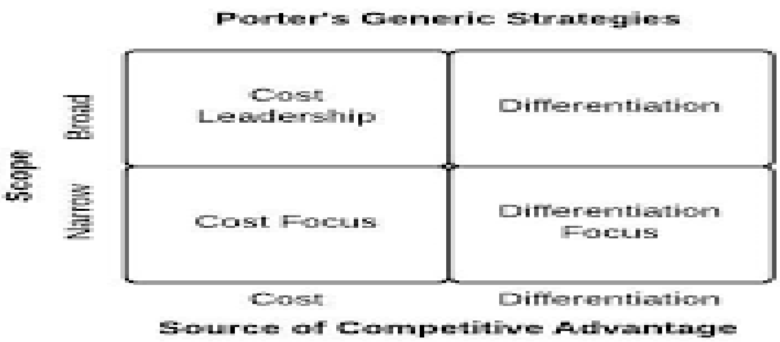
The word 'strategy' has long been used in the content of military action plans. It was used to state the grand plans made in the light of what it is believed an adversely might or might not do. Managers now use strategies in the broader areas of business operations. A strategy is a comprehensive and integrated plan designed to assure that business objectives are accomplished. The long term objectives of the enterprise are determined and requisite resources are allocated and deployed to achieve the desired results. The purpose of strategies is to determine a picture of the kind of enterprise that is envisaged. Strategies do not attempt to outline the programmes for achieving objectives but they furnish a framework for guiding thinking and action.

TYPES OF STRATEGIES

- **CORPORATE STRATEGY –** It gives the choice of direction of the firm as a whole. It focuses on the objective of achieving business success in the long term. It occupies the highest position of strategic decision making and such decisions are usually made be the top management of the firm.
  - **Stability strategy:** this type of strategy is used by an organization in cases where the organization is satisfied with the current situation and therefore it does not want to move away from such a position. Stability strategy will be adopted by an organization if it is satisfied by dealing with the same product or service, providing its services to the same group of consumers and maintaining the same market share.
  - **Growth strategy:** Growth is related with expansion and diversification of the business operations. A growth strategy can be implemented in the organization through market development, product development, merger or diversification.
  - R**etrenchment strategy:** An organization may decide to retreat or change from its current position for the purpose of improving its position or sometimes in order to survive.
  - **Combined strategy:** A combined strategy reflects the mix of the strategies that have been mentioned above. For example, it is possible that a large organization may adopt growth strategy in one area and at the same time it may also adopt the retreat strategy in another particular area.

- **BUSINESS LEVEL STRATEGY**
- **COST LEADERSHIP STRATEGY:** Cost leadership strategy means selling the goods at the cheapest price in the market. Cost leadership strategies are business tools that give companies a competitive advantage in the economic marketplace. The firm aims at becoming the Lowest Cost Producer. The firm can compete on the price with every other industries and earn higher unit profits. Competitive advantage is achieved by driving down costs. A successful cost leadership strategy requires that the firm is the cost leader and is unchallenged in this position.

✓ Wal -Marts everyday low prices (EDLP) strategy. Wal-Mart's ability to obtain consumer goods at the cheapest possible price and pass these savings on to consumers. Wal-Mart’s relationships with suppliers and purchase in large volumes enabled it to reduce prices.



Generic Business Strategies

- **DIFFERENTIATION STRATEGY:** Differentiation strategy is opted when the development of a particular product, may increase its market value. So some unique attributes are added to the product and will be released in the market and may be sold at a higher price. Customers should perceive it to be better than or different from the products of the competitors. Uniqueness of the product may allow the firm to charge a premium price for it. A differentiation strategy calls for the development of a product or service that is unique .
- ✓ **Drivers:** Major Drivers for Differentiation Strategy are Unique Product Features , Unique Product Performance, Exceptional Services, New Technologies , Quality of Inputs, Exceptional Skill or experience .

Examples:

- Titan watches with gold studded gems, diamonds and precious metals -- This is an example of Differentiation by Design.
- Dominos Pizza with their '30 minute's delivery or free concept' -- This is an example of Differentiation by Service.
- Maggi with their '2 minute noodles' – This is an example of Differentiation by Positioning.
- Mercedes- Benz automobiles -- This is an example of Differentiation by Brand.

- **FOCUS STRATEGY:** The third business level strategy is focus. Focus is different from other business strategies as it is segment based and has narrow competitive scope. This strategy involves the selection of a market segment, or group of segments, in the industry and meeting the needs of that preferred segment (or niche) better than other market competitors. This is also known as niche strategy. In focus strategy, the competitive advantage can be achieved by optimizing strategy for the target segments.

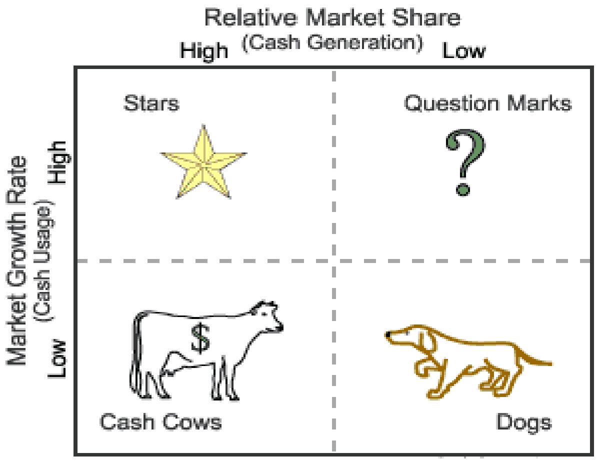
Focus strategy has two variants. They are:

- **Cost focus -** Cost focus is where a firm seeks a cost advantage in the target segment. This is basically a niche-low cost strategy whereby a cost advantage is achieved in focuser's target segment.
- **Differentiation focus** – Differentiation focus is where a firm seeks differentiation in the target segment. In this, the firm offers niche buyers something different from rivals. Firm seeks differentiation in its target segment. Differentiation focus exploits the specific needs of buyers in specified segments. Eg. MayBach luxury car which is targeted to segment where customers can afford to pay a sum as large as Rs.5.4 crores.

CORPORATE PORTFOLIO ANALYSIS – BCG MATRIX

When the company is in more than one business, it can select more than one strategic alternative depending upon demand of the situation prevailing in the different portfolios. Portfolio analysis is an analytical tool which views a corporation as a basket or portfolio of products or business units to be managed for the best possible returns. When an organization has a number of products in its portfolio, it is quite likely that they will be in different stages of development. Some will be relatively new and some much older.

The aim of portfolio analysis is (a) to analyze its current business portfolio and decide which businesses should receive more or less investment (b) to develop growth strategies, for adding new businesses to the portfolio (c)to decide which business should not longer be retained



BCG Matrix

BCG growth share matrix is based on the observation that a company's business units can be classified into four categories based on combinations of market growth and market share relative to the largest competitor, hence the name "growth-share". The growth-share matrix thus maps the business unit positions within these two important determinants of profitability

- **Question Mark (or Problem Child)** - A business unit that has a small market share in a high growth market. These business units require resources to have growth in market share, but whether they will succeed and become stars is unknown.
- **Star** - A business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market grows rapidly they require investment to maintain their lead. If successful, a star will become a cash cow when its industry matures.
- **Cash Cow** - A business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units.
- **Dog** - A business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be liquidated if there is little prospect for it to gain market share.

POLICIES

Policies are general statements or understandings that guide managers' thinking in decision making. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make. **Policies** are standing plans. These are broad-based statements of understanding or general statement of intent. Policies define an area or provide limits within which decisions are to be made and ensure that the decision will be consistent with and contribute to an objective. Policies are types of plans that allow decision- makers some discretion to carry out a plan. Otherwise, there will be no difference between policies and rules. Policies must allow for some discretion.

TYPES OF POLICIES

- **ORIGINATED POLICIES -** Top management of business organizations formulates policies for the important functional areas. Such policies are called originated policies.
- **APPEALED POLICIES -** When a dilemma appears in a unit of the organization over some issue, the unit head appeals his superiors for a decision. This appeal moves upward in the vertical hierarchy of the organization till a most suitable decision is made. Such decisions becomes a ruling on the issue and such rulings in turn becomes appealed policies**.**
- **IMPLIED POLICIES -** Implied policies are not explicit policies, still a functionary can take decisions on certain day to day matters that are not specifically stated in the approved policies assuming that it will come under the broad policy framework of the organization and will be accepted by the top management.
- **EXTERNALLY IMPOSED POLICIES -** Externally Imposed Policies are imposed by external agencies like Governments, Legal Authorities, Industry Associations, Trade Unions etc. Labour Laws issued by Governments, Court of justice verdicts, Demands of Associations etc also come under this category of policies.

POLICY FORMULATION PROCESS

Policy formulation process involves creating policies for the organization and it is an integral part in the process of planning. In order to ensure that the operations of the organization are run smoothly, proper policies have to be formulated by the managers.

- **Identifying the policy area:** The first and foremost step in policy formulation is to identify the particular area which requires policy formulation. At the same time, care should be taken to identify the objectives as well as the demands of the organization. For example, when the managers are formulating policy related with marketing, they should keep in mind the expectations and the thrust areas of marketing for the organization.
- **Identifying various alternative policies:** While creating a policy for the organization, the managers should identify all the policy alternatives that are available to them in a particular case. The available alternatives can be decided with the help of analyzing the external as well as internal environment of the organization. While the internal environment of the organization can help in describing the strengths and weaknesses of the organization, the external environment can help in identifying the opportunities and threats that are being faced by the organization.
- **Assessing the alternatives:** The various alternatives that are available need to be evaluated, keeping in mind the goals of the organization. The managers should evaluate how these alternatives can contribute towards the achievement of its goals by the organization. Therefore factors like resource requirements, costs and benefits provided by each alternative have to be carefully examined by the managers. Moreover managers should also evaluate the impact of different alternatives on the environment of the organization.
- **Selecting the most appropriate policy:** After careful examination of all the available alternatives, managers should select the alternative that is most appropriate for their organization. Selecting a policy for the organization involves a long-term commitment. If a particular alternative is not satisfactory, then managers should try out other alternatives.
- **Testing a policy:** Before implementing a policy in the organization, managers should first implement the policy on a trial basis. This can help the managers in evaluating if the policy selected by them can achieve the objectives for which it

was created. At the same time, when the policy has been implemented on a trial basis, valuable suggestions may be received from other members of the organization regarding the policy. These suggestions can help in introducing the necessary changes in the policy due to which it becomes even more effective.

- **Implementation of the policy:** When the policy has been proved to be successful in the trial period it can be implemented in the organization. However, it is very important that such a policy should be explained in detail to all the persons who are responsible for implementing the policy. This in turn will help the employees to be aware of the purpose and objective behind the policy and it will also help in the proper implementation of the policy.

DECISION MAKING

Decision Making is the core of planning. A plan cannot be said to exist unless a decision - a commitment of resources, direction or reputation - has been made. Decision-making is the process of identifying a set of feasible alternatives and choosing a course of action from them. Weihrich and Koontz defines decision-making as the selection of a course of action from among alternatives. Effective and successful decisions make profit to the company and unsuccessful ones make losses. Therefore, corporate decision making process is the most critical process in any organization. Decisions are judgments which directly affect a course of action.

FEATURES OF DECISION MAKING

- ✓ Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- ✓ The decision-maker has freedom to choose an alternative.
- ✓ Decision-making may not be completely rational but may be judgmental and emotional.
- ✓ Decision-making is goal-oriented.
- ✓ Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- ✓ A decision may be expressed in words or may be implied from behaviour

TYPES OF DECISIONS

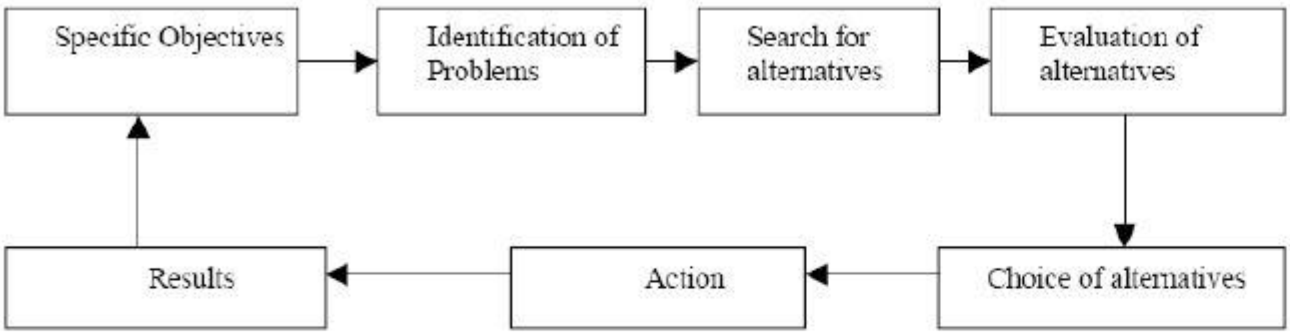
❖ PROGRAMMED AND NON PROGRAMMED DECISIONS

- **PROGRAMMED DECISIONS:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact.
- **NON-PROGRAMMED DECISIONS:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available.

❖ **STRATEGIC AND TACTICAL DECISIONS**

- **STRATEGIC DECISIONS: S**trategic decisions are decisions which are of crucial importance. Strategic decisions focuses mainly on allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.
- **TACTICAL DECISIONS:** Routine decisions or tactical decisions are decisions which are routine and repetitive. They are derived out of strategic decisions. Tactical decision relates to day-to-day operations of the organization and has to be taken very frequently. Tactical decision is mostly a programmed one. The outcome of tactical decision is of short-term nature and affects a narrow part

DECISION MAKING PROCESS



Decision Making Process

- **Specific Objective:** The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the determination of whether a decision need to be made.
- **Problem Identification:** The next step is identifying the problem. A problem is a felt need, a question which needs a solution. The objective of problem identification is that if the problem is precisely and specifically identified, it will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

✓ **Diagnosis:** Diagnosis is the process of identifying a problem from its signs and symptoms. A symptom is a condition or set of conditions that indicates the existence of a
problem. Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

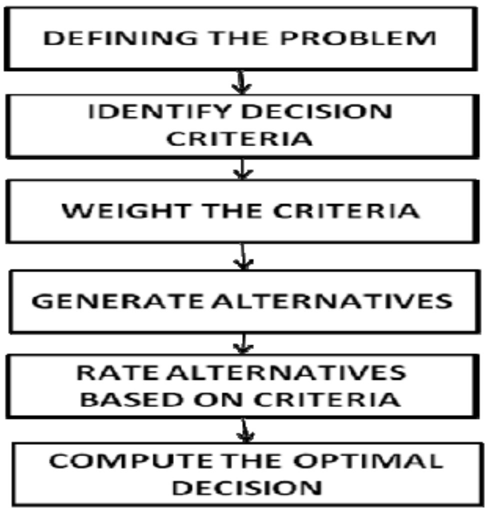
✓ **Analysis:** Diagnosis gives rise to analysis. Analysis of a problem requires
- Who would make decision?
- What information would be needed?
- From where the information is available?

Analysis helps managers to gain an insight into the problem.

- **Search for Alternatives:** A problem can be solved in several ways. But, all the ways may not have equal contribution. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:
  - ✓ His own past experiences
  - ✓ Practices followed by others and
  - ✓ Using creative techniques.
- **Evaluation of Alternatives:** After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. The decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.
- **Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.
- **Action:** Once the alternative is selected, it is put into action. The actual process of decision making ends with the choice of an alternative through which the objectives can be achieved.
- **Results:** When the decision is put into action, it brings certain results. These results must
  correspond with objectives which in turn will lead to the conclusion that decision is made and implemented properly.

RATIONAL DECISION MAKING MODEL

Rational decision making is a multi-step process for **making** choices between alternatives. The process of **rational decision making** favors logic, objectivity, and analysis over subjectivity and insight..



Rational Decision Making Model

- **Defining the problem -** This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.

- **Identify decision criteria -** Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision. This step brings the decision maker's interests, values, and personal preferences into the process. Identifying criteria is important because what one person thinks may be relevant for one and irrelevant for another. Also it should be kept in mind that any factors not identified in this step are considered as irrelevant to the decision maker.
- **Weight the criteria-** The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.
- **Generate alternatives -** The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives. The focus should only to list them.
- **Rate each alternative on certain criterion -** The decision maker must critically analyze and evaluate each alternative. The strengths and weakness of each alternative become evident as they are compared with the criteria and weights established in second and third steps.
- **Compute the optimal decision-** Evaluating each alternative against the weighted criteria and the alternative with the highest total score is finally selected.

DECISION MAKING UNDER DIFFERENT CONDITIONS

Everyday a manager has to make hundreds of decisions in the organization. Managers need to deal with reality where many things are really unknown. There are three conditions that managers may face while they make decisions. They are (a) Certainty, (b) Risk and (c) Uncertainty.

- **CERTAINTY -** A state of certainty exists only when the managers know the available alternatives as well as the conditions and consequences of those actions. There is little ambiguity and relatively low possibility of making a bad decision. It assumes that manager has all the necessary information about the situation. Hence, decisions under certainty means a perfectly accurate decision will be made time after time. Of course, decision making under certainty is rare.
- **RISK -** A state of risk exists when the manager is aware of all the alternatives, but is unaware of their consequences. The decision under risk usually involves clear and precise goals and good information, but future outcomes of the alternatives are just not known to a degree of certainty. A risk situation requires the use of probability estimates. The ability to estimate may be due to experience or due to incomplete but reliable information or intelligence. Statistical analysis can be applied to the calculation or probabilities of success or failure.
- **UNCERTAINTY -** In today's complex environment most important decisions are made under a state of uncertainty where there is no awareness of all the alternatives and also the outcomes. To make effective decisions, managers must require as much relevant information as possible. Such decisions require creativity and the willingness to take a chance in the face of such uncertainties. In such situations, managers do not even have enough information to calculate probabilities and degrees of risk. So, statistical analysis is of no use. Hence, managers need to make certain assumptions about the situation in order to provide a reasonable framework for decision making. Intuition, judgment, and experience always play major roles in the decision making

process under conditions of uncertainty. Greater the amount of reliable information, the more likely the manager will make a good decision. Hence, manager should make sure that the right information is available at the right time.

PART A

1. Why is Planning essential for an organization?

- ✓ To manage by objectives
- ✓ To offset uncertainty and change
- ✓ To secure economy in operation
- ✓ To help in co-ordination
- ✓ To make control effective
- ✓ To increase organizational effectiveness

2. What is Planning ?

Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an **intellectual process** which **lays down organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

3. **What are the various objectives of Planning**?

- ✓ To attain pre determined goals
- ✓ To achieve economy in operations
- ✓ To provide specific direction
- ✓ To bring certainty in future events

4. What is meant by Decision Making?

Decision Making can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities.

5. State the various types of Plans.

- ✓ Strategic Plan- Mission, Objectives, Strategies
- ✓ Tactical Plan
- ✓ Operational Plan – Single Use Plans and Standing Plans
- ✓ Contingency Plan

6. Explain the need for SWOT Analysis.

The **SWOT analysis** is a useful technique for understanding all sorts of situations in business and organizations. **SWOT** is acronym for STRENGTHS, WEAKNESSES, OPPORTUNITIES and THREATS. It helps to minimize the effect of weaknesses in the business, while maximizing strengths.

7. **What is meant by Policies? Classify them.**

   Policies are general statements or understandings that guide managers' thinking in decision making. **Policies** are standing plans. These are broad-based statements of understanding or general statement of intent.

   Policies are classified as Originated Policies, Appealed Policies, Implied and Externally Imposed Policies

8. **What are the guidelines that need to be followed while setting objectives?**
   - While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
   - The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
   - Objectives must be consistent with one another.
   - Objectives must be set in clear-cut terms.

9. **Define MBO.**

   Management by objectives (MBO) is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organizational and individual objectives - KOONTZ &WEIHRICH

10. **What are the benefits of MBO?**
    - ✓ Encouraging Organizational Goals
    - ✓ Better Management
    - ✓ Clarifying Organizational Goals
    - ✓ Better Control

11. **Define the term Strategic Planning.**

    Strategic planning is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals and establish agreement around intended outcomes/results.

12. **Define strategy.**

    Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process – Chandler

13. **Explain the importance of decision making in management.**

    Decision making s related to planning, organizing, directing and controlling functions of a manager. **Decision making** is **important** to achieve the organizational goals/objectives within given time and budget. **Decision-making** is a pervasive function of **managers** aimed at achieving organizational goals.

14. **List out the various steps in the Decision Making Process.**
    - ✓ Setting Specific Objectives
    - ✓ Identification of Problems

- ✓ Search for alternatives
- ✓ Evaluation of alternatives
- ✓ Choice of alternatives
- ✓ Taking Action
- ✓ Accomplishing Results

15. What are Programmed Decisions?

Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact.

16. What is a Policy?

A Policy is a standing plan that furnishes broad guidelines for taking action consistent with reaching organizational objectives. Policy can be defined as organization's general response to a particular problem or situation. (eg) "No credit sale policy", in business firms

17. **Defining planning premises.**

Planning premises are defined as the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future & known conditions that will effects the operation of plans.

18. Explain in brief about the two approaches in which the hierarchy of objectives can be explained?

There are two approaches in which the hierarchy can be explained.

- ✓ top-down approach
- ✓ bottom-up approach

19. What is the significance of rational decision making?

Rational decision making is a multi-step process for **making** choices between alternatives. The process of **rational decision making** favors logic, objectivity, and analysis over subjectivity and insight.

20. **What is a Procedure?**

A procedure is a systematic way of handling regular events. It is stated in terms of steps to be followed in carrying out certain kinds of work. According to Terry, a procedure is series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished.

21. **What is a Rule?**

A specific statement telling the people what should or what should not be done.

22. **What is a Budget?**

A statement of expected results expressed either in financial terms or in terms of labor hours, machine hours, units of product, or such other measurable terms. They are devices for both planning and control.

23. **Distinguish between "risk" and "uncertainty" in decision making.**
"Risk" condition exists when the probabilities of occurrence of various outcomes of the decision are known. "Uncertainty" condition exists when these probabilities are unknown.

24. **What is KRA?**
KRA-Key **R**esult **A**reas are identified on basis of organizational objectives and planning premises where organizational health can be measured.

25. **What are the weakness of MBO ?**
Failure to teach the philosophy of MBO, Failure to give guidelines, difficulty in setting goals, Emphasis on short term goals, inflexibility, time consuming

26. What are the characteristics of Objectives?
- Objectives are multiple in number
- Objectives may be either tangible or intangible
- Objectives have a priority
- Objectives are generally arranged in a hierarchy

27. What are the various decision making conditions?
Decision making under certainty; Decision making under risk; and Decision making under uncertainty.

28. Distinguish between "risk" and "uncertainty" in decision making.
"Risk" condition exists when the probabilities of occurrence of various outcomes of the decision are known. "Uncertainty" condition exists when these probabilities are unknown.

29. What is top down approach ?
Top down approach means that the top level management provides guidelines to the bottom level management.

30. What is bottom up approach?
Bottom up approach means that the low level management provides information to the top level management

PART B

1. Define Planning. Explain the various steps involved in the Planning Process in detail
2. Explain the different types of Strategies.
3. Explain the decision making process in detail. Also discuss how decision making under different conditions are made.
4. Discuss the concept of Management By Objectives(MBO) in today's Organizations.
5. Categorize the various types of Plans.
6. Discuss the Nature and Purpose of Planning.
7. Write Short notes on :
   (i) Programmed and Non-Programmed Decisions
   (ii) Strategic and Operational Planning
8. What are the essentials of formulating policies? How would you show your understanding on framing policies and classifying them?

ORGANIZING

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which effort is coordinated. The structure is usually represented by an organization chart, which provides a graphic representation of the chain of command within an organization. Decisions made about the structure of an organization are generally referred to as organizational design decisions.

Definitions:

- "Organizing is the establishment of authority relationships with provisions for co-ordination between them, both vertically and horizontally in the enterprise structure" -- Koontz and O 'Donnell
- "Organizing is the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively to accomplish the objective"- – Louis A. Allen.

NATURE OF ORGANISING

- **Division of Work:** Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments .The work of every department is further sub-divided into sub works. In this way each individual has to do the same work repeatedly which gradually develops an expertised person .
- **Coordination:** Under organizing different persons are assigned different works but the aim of all these persons is to attain the objectives of the enterprise. Organization ensures that the work of all the individuals depend on each other's work even though it happens to be different. The work of one person starts from where the work of another person ends. The non-completion of the work of one person affects the work of everybody. It is therefore essential to have proper coordination among different works, departments and posts in the enterprise.
- **Plurality of Persons:** Organization is a group of many persons who work together to fulfil a common purpose. A single individual cannot create an organization.
- **Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.
- **Well-defined Authority and Responsibility:** Under organization a chain is established between different positions right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every position. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.

- **Organization is a Universal Process:** Organization is needed both in business and non business organizations. Organization is essential where two or more than two people work jointly. Therefore, organizing has the quality of universality.
- **Organization is a Dynamic Process**: Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations.

FORMAL AND INFORMAL ORGANISATIONS

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

FORMAL ORGANIZATION – It refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization have a set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.

Characteristic Features of formal organization

- ✓ Formal organization structure is laid down by the top management to achieve organizational goals.
- ✓ Formal organization prescribes the relationships amongst the people working in the organization.
- ✓ Organizational structures are consciously designed to enable the people of the organization to work together for accomplishing the common objectives of the enterprise.
- ✓ In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organization arise from the pattern of responsibilities that are created by the management.
- ✓ A formal organization is bound by rules, regulations and procedures.
- ✓ In a formal organization, the position, authority, responsibility and accountability of each level are clearly defined.
- ✓ Organizational structure is based on division of labor and specialization to achieve efficiency in operations.

Advantages of formal organization

- ✓ The formal organizational structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.
- ✓ A formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.

Disadvantages of formal organization

- ✓ The formal organization does not take into consideration the sentiments of organizational members.
- ✓ The formal organization does not consider the goals of the individuals. It is designed to
achieve the goals of the organization only.

- ✓ The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

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

Characteristics features of informal organization

- ✓ Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- ✓ Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- ✓ Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- ✓ The inter-relations amongst the people in an informal organization cannot be shown in an organization chart.
- ✓ In the case of informal organization, the people cut across formal channels of communications and communicate amongst themselves.
- ✓ The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- ✓ Membership of informal groups can be overlapping as a person may be member of a number of informal groups.
- ✓ Informal organizations are based on common taste, problem, language, religion, culture, etc. It is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organization.

Benefits of Informal organization

- ✓ The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- ✓ Informal organization acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.
- ✓ An informal organization has a powerful influence on productivity and job satisfaction.

Disadvantages of informal organization

- ✓ Quick in spreading rumours
- ✓ Informal Organization may bring negative results as it opposes the policies and changes of management.
- ✓ Informal structure gives more importance to satisfaction of individual interest as compared to organizational interest.

DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANISATIONS

FORMAL ORGANISATION	INFORMAL ORGANISATION
1. Formal organization is established with the explicit aim of achieving well-defined goals.	1. Informal organization springs on its own. Its goals are ill defined and intangible.
2. Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	2. Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right.
3. Formal organization recognizes certain tasks which are to be carried out to achieve its goals.	3. Informal organization does not have any well-defined tasks.
4. The roles and relationships of people in formal organization are impersonally defined	4. In informal organization the relationships among people are interpersonal.
5. In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organization is characterized by relative freedom, spontaneity, homeliness and warmth.
6. In formal organization, the social and psychological needs and interests of members of the organization get little attention.	6. In informal organization the socio - psychological needs, interests and aspirations of members get priority.
7. The communication system in formal organization follows certain pre-determined patterns and paths.	7. In informal organization, the communication pattern is haphazard, intricate and natural.
8. Formal organization is relatively slow to respond and adapt to changing situations and realities.	8. Informal organization is dynamic and very vigilant. It is sensitive to its surroundings.

For an efficient organization, both formal and informal organizations are required. A formal organization can work independently. But informal organization depends totally upon the formal organization. Formal and informal organization helps in bringing efficient working organization and smoothness in a concern.

ORGANISATION STRUCTURE

An **organizational structure** defines how activities such as task allocation, coordination and supervision are directed toward the achievement of **organizational** goals. **Organizational structure** can also be considered as the viewing glass through which individuals see their **organization** and its environment. Depending upon a company's needs, there are several organizational structures that can be used .An organizational structure is a framework that allots a specific space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization

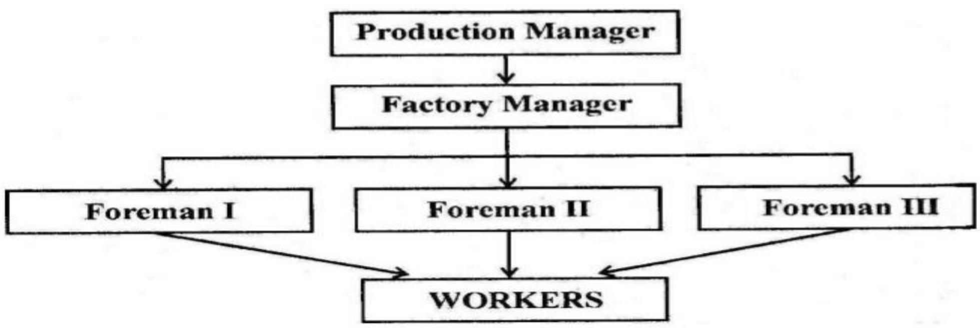
IMPORTANCE OF ORGANISATIONAL STRUCTURE

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organizational structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organizational structure provides the pattern of communication and coordination.
- The organizational structure helps a member to know what his role is and how it is related to other roles.

TYPES OF ORGANIZATION STRUCTURE

- **FUNCTIONAL ORGANIZATION STRUCTURE:** A functional organization structure is a hierarchical organization structure wherein people are grouped as per their area of specialization. These people are supervised by a functional manager with expertise in the same field. This expertise helps him effectively utilize the skills of employees, which ultimately helps organizations in achieving its business objectives.

  In a functional organizational structure, the whole work in the organization is divided into various departments. Similar type of work and transactions are put in one department under the control of a departmental manager or head. Various departments are also known as functional areas of management viz., Purchases, Sales, Finance, Production, and Personnel etc. The respective managers of these departments will be responsible for carrying out various activities of their departments in the organization. For example, marketing manager will be responsible for carrying out marketing activities and personnel manager will be responsible for looking after the personnel matters in all the departments of the organization. The underlying idea of functional organization at the top level of management is that a subordinate anywhere in the organization will be controlled and commanded directly by number of managers operating in different departments.



Functional Organizational Structure

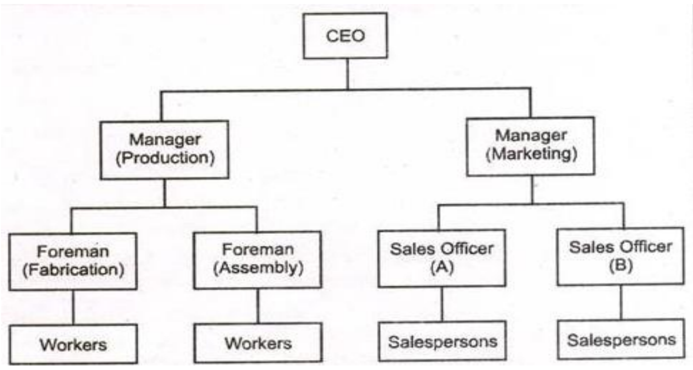
Merits

- ✓ Better division of labour takes place which results in specialization of functions.
- ✓ **Effective Control-** Management control is simplified as the mental functions are separated from manual functions.
- ✓ **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.
- ✓ **Economy-** Specialization compiled with standardization facilitates maximum production and minimization of economical costs.

Demerits

- ✓ **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels.
- ✓ **Lack of Co-ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
- ✓ **Difficulty in fixing responsibility-** Because of multiple authority, it is difficult to fix responsibility.
- ✓ **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.

- ■ **LINE ORGANIZATIONAL STRUCTURE: It is a b**usiness organization with self-contained departments. Authority travels downwards from top and accountability upwards from bottom along the chain of command, and each department manager has control over his or her department's affairs and employees. A line organization has only direct, vertical relationships between different levels in the firm. Line departments is directly involved in accomplishing the primary goal of the organization. For example, in a typical firm, line departments include production and marketing. In a line organization authority follows the chain of command.



Line Organizational Structure

Merits

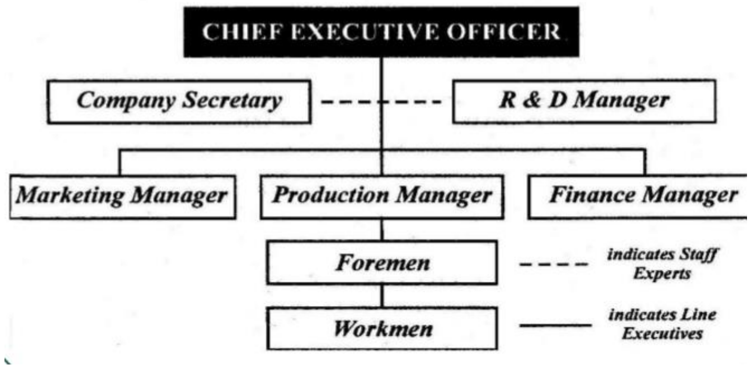
- ✓ **Simplest-** It is the most simple and oldest method of administration.
- ✓ **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
- ✓ **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
- ✓ **Flexibility-** Since the authority relationships are clear, line officials are independent and can flexibly take the decision.
- ✓ **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits

- ✓ **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
- ✓ **Lack of specialization and Coordination-** A line organization flows from top to bottom and there is no scope for specialized functions. Whatever decisions are taken by the line officials, in certain situations lead to wrong decisions
- ✓ **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end.

- **LINE AND STAFF ORGANIZATION STRUCTURE:** The line and staff organization is an improvement over the line organization and functional organization. The line organization concentrates too much on control whereas the functional system divides the control too much. But Line and staff Organizational structure ensures a proper balance between the two. This type of Organizational structure has its origin from the military organizations. The commanders in the field who are line officers who are assisted by the staff that helps them in formulating strategies and plans by supplying valuable information.

  In organizations also line officers get the advice of the staff which is very helpful in carrying on the task in an efficient manner. However, staff's role is advisory in nature. The line authority flows from top to bottom and the staff authority is exercised by the specialists over the line managers who advises them on important matters. The staff officers do not have any power of command in the organization as they are employed to provide expert advice to the line officers. The 'line' maintains discipline and stability; the 'staff' provides expert information.



Line and Staff Organizational Structure

Merits

- ✓ **Relief to line of executives-** In a line and staff organization, the advice and counseling that is provided to the line executives help them to concentrate on the execution of plans and they get relieved of focusing their attention to many areas.
- ✓ **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This paves the way for every officer to concentrate in his own area.
- ✓ **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.
- ✓ **Benefits of Research and Development-** Through the advice of specialized staff the line executives get time to execute plans by taking productive decisions which are helpful for a concern.
- ✓ **Training-** Due to the presence of staff specialists and their expert advice line executives can give more concentration in decision making.

Demerits

- ✓ **Lack of understanding-** In a line and staff organization, two authority flows at the same time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority.
- ✓ **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations and status influence sentiments which are likely to create conflicts
- ✓ **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

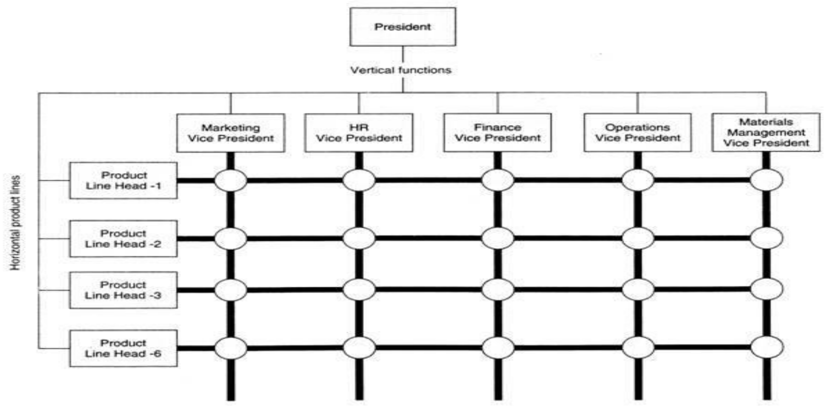
DIFFERENCES BETWEEN LINE ORGANIZATION & LINE AND STAFF ORGANIZATION

LINE ORGANIZATION	LINE&STAFF ORGANIZATION
The organization in which the authority and responsibility moves downward, and accountability flows upward, is called line organization.	The organization structure, in which specialist are added to the line managers to provide guidance and support, is called line and staff organization.
Command Authority	Command and Advice Authority
Strict Discipline	Loose discipline
Line executives are generalist.	Staff executives are specialist.
Absolute centralization	Partly centralized and partly decentralized
Suitable for small organization with less number of employees.	Suitable for large organization with more number of employees.

MATRIX ORGANIZATIONAL STRUCTURE

A matrix organizational structure is a company structure in which the **reporting** relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. It is an organizational structure that facilitates the horizontal flow of skills and information. It is used mainly in the management of large projects or product development processes, drawing employees from different functional disciplines for a team without removing them from their respective positions.

A matrix structure is, in a sense, a combination and interaction of project and functional structures and is suggested to overcome the problems associated with project and functional structures individually. The key features of a matrix structure are that the functional and project lines of authority are super-imposed with each other and are shared by both functional and project managers. Employees in a matrix organization report on day-to-day performance to the project or product manager whose authority flows sideways (horizontally) across departmental boundaries. Employees have dual **reporting** relationships - generally to both a **functional** manager and a product manager. They also continue to report on their overall performance to the heads of their departments whose authority flows downwards vertically within his or her department.



Matrix Organizational Structure

Merits:

- ✓ Resources can be used efficiently, since experts and equipment can be shared across projects.
- ✓ Products and projects are formally coordinated across functional departments.
- ✓ Information flows both across and up throughout the organization.
- ✓ Employees are in contact with many people, which helps them to share information and can speed the decision process.
- ✓ Staffers have to work autonomously and do some self-management between their competing bosses. This can enhance motivation and decision making in employees .

Demerits:

- ✓ **Feeling of insecurity: -** Those employees who are specially appointed for the projects may have a sense of insecurity after the completion of the project.

- ✓ **Lack of effective coordination: -** In a matrix organization there will be a problem of maintaining effective coordination among project workers, functional workers and among the workers from various functional area
- ✓ **Difficult to maintain balance:** There will be two types of specialists functional and project specialist. To maintain a balance between these two specialist is a difficult task.
- ✓ **Violation of unity of command: -** Since the employees get command from two superiors- functional or departmental manager and project manager quite often employees are found to be in a state of confusion. Unity of command principle is violated.

PROJECT ORGANIZATIONAL STRUCTURE

A project organization is a temporary organization designed to achieve specific results by using teams of specialists from different functional areas in the organization. They can be viewed as temporary organizational structures formed for specific projects for a specific period of time and once the goal is achieved, these are dismantled

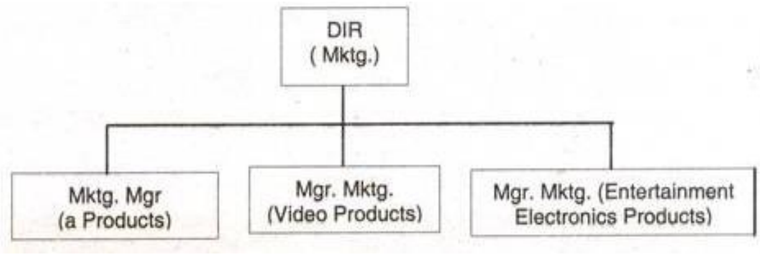
The project team focuses all its energies, resources and results on the assigned project. For example, the goal of an organization may be to develop a new automobile. For this project, the specialists from different functional departments will be drawn to work together. These functional departments are production, engineering, quality control marketing research, etc.

When the project is completed, these specialists go back to their respective duties. These specialists are basically selected on the basis of task related skills and technical expertise rather than decision-making experience or planning ability. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

DEPARTMENTATION

Depart mentation refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units. This facilitates communication, coordination and control, thus contributing to the organizational success. Since the units are independent and semi-autonomous, it provides satisfaction to the managers which in turn improves efficiency and effectiveness.

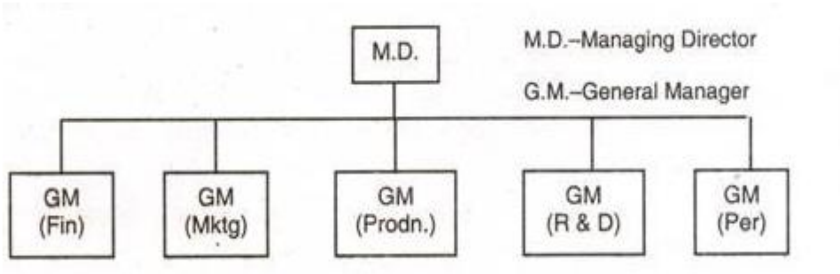
- ❖ **Depart mentation by Product:** In this type, departments are formed according to the type of products and it is more useful in multi-line corporations. Product departmentation organizes employees based on which product line or set of services they work with. Each product line has a department of its own, and each department has specialists in all of the functions needed to produce and sell that product, such as marketing, manufacturing, accounting and human resources.



Depart mentation By Product

The departments in this type of company operate autonomously from each other and are often better at responding to changing circumstances in a flexible way where product expansion and diversification, manufacturing and marketing characteristics of the product are of primary concern. The general policies are decided upon by the top management within the philosophical guidelines of the organization.

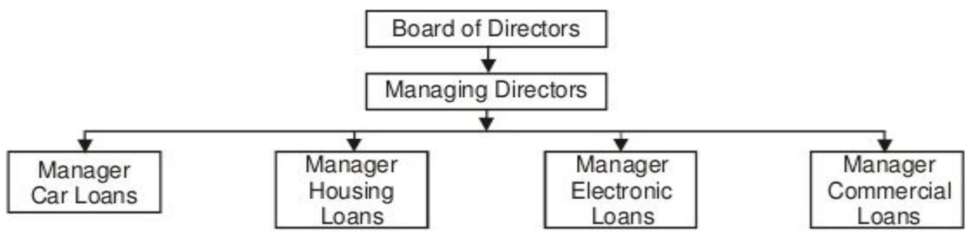
❖ **Departmentation by Functions: F**unctional departmentation organizes employees based on function or skill set. Salespeople and marketers work together in the marketing department, employees involved in making the company's products work in the manufacturing department and employees involved in designing new products work in the research and development department.



Depart mentation By Functions

This type of organizational structure works best in smaller organizations without too many distinct product lines.

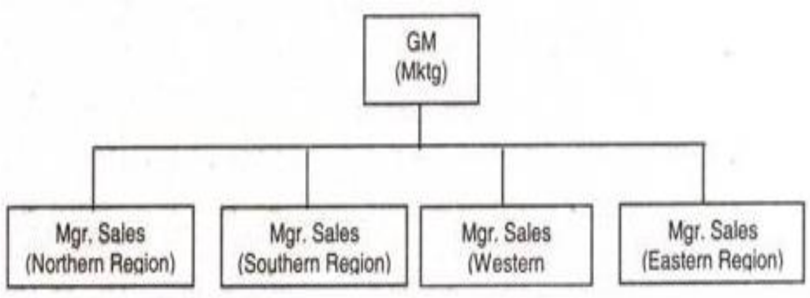
❖ **Departmentation by Customers:** This type of departmentalization is used by those organizations that deal differently with different types of customers. Thus, the customers form the basis for grouping of activities.



Departmentation By Customers

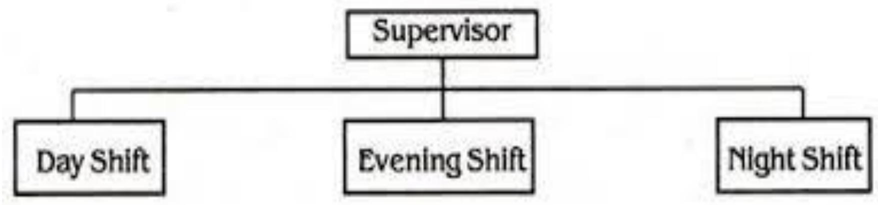
Many banks have priority services for customers who deposit a given amount of money with the bank for a given period of time. Similarly, business customers get better attention in the banks than other individuals.

- **Departmentation by Geographic Area:** If an organization serves different geographical areas, the division may be based on geographical basis. Such divisions are specially useful for large scale enterprises that are geographically spread out such as banking, insurance, chain department stores or a product that is nationally distributed.



Depart mentation By Geographic Area

- **Depart mentation by Time:** Certain Organizations like Hospitals and other public utility companies such as telephone companies that work around the clock are generally departmentalized on the basis of time shifts.



Depart mentation By Time

For example, the telephone company may have a day shift, on evening shift and a night shift, and for each shift a different department may exist, even though they are all alike in terms of objectives.

SPAN OF CONTROL

The **span of control** is the number of subordinates for whom a manager is directly responsible. **Span of control** is simply the number of staff that report to a manager. Some companies also have an **ideal span of control**, which is the number of reports they feel a manager can effectively manage.

Span of management, also known as 'span of control', refers to the number of people a manager directly manages. In a wider span of control, a manager has many subordinates who report to him. In a narrow span of control, a manger has fewer subordinates under him.

- **Capacity of Superior:** Here the capacity means the ability of a superior to comprehend the problems quickly and gel up with the staff such that he gets respect from all. Also, the communication skills, decision-making ability, controlling power, leadership skills are important determinants of supervisory capacity. Thus, a superior possessing such capacity can manage more subordinates as compared to an individual who lack these abilities.
- **Capacity of Subordinate:** If the subordinate is trained and efficient in discharging his functions without much help from the superior, the organization can have a wide span. This means a superior can manage a large number of subordinates as he will be required just to give the broad guidelines and devote less time on each.
- **Nature of Work:** If the subordinates are required to do a routine job, with which they are well versed, then the manager can have a wider span. But, if the work is complex and the manager is required to give directions, then the span has to be narrower.
- **Degree of Decentralization:** If the manager delegates authority to the subordinates then he is required to give less attention to them. Thus, higher the degree of decentralization, the wider is the span of management. But in case, subordinates do not have enough authority, then the manager is frequently consulted for the clarifications, and as a result superior spends a lot of time in this.
- **Planning:** If the subordinates are well informed about their job roles, then they will do their work without consulting the manager again and again. This is possible only because of the standing plans that they follow in their repetitive decisions. Through a proper plan, the burden of a manager reduces manifold and can have a wider span of management.
- **Staff Assistance:** The use of staff assistance can help the manager in reducing his workload by performing certain managerial tasks such as collecting information, processing communications and issuing orders, on his behalf. By doing so, the managers can save their time and the degree of span can be increased.
- **Supervision from Others:** The classical approach to the span of management, i.e., each person should have a single supervisor is changing these days. Now the subordinates are being supervised by other managers in the organization such as staff personnel. This has helped the manager to have a large number of subordinates under him.
- **Communication Techniques:** The mode of communication also determines the span of management. If in the manager is required to do a face to face communication with each subordinate, then more time will be consumed. As a result, the manager cannot have a wider span. But in case, the communication is in writing and is collected through a staff personnel; the manager can save a lot of time and can have many subordinates under him.

The span of management is also called as the **span of supervision** or **span of control**, which influences the complexity of the individual manager’s job and determine the shape or configuration of the organization.

CENTRALIZATION AND DECENTRALIZATION

CENTRALIZATION- It is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the owner decides about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the owner.

Generally, it has been seen that centralization proves to be successful in case of small enterprises. This is due to the reason that in such a case, the operations are limited and the proprietor of the organization is able to personally look after all the activities of the organization. This style of management proves to be effective when a need arises to take decisions in an emergency. However, when the business of the organization expands, it becomes difficult to control all the activities and therefore a need arises for decentralization.

ADVANTAGES OF CENTRALIZATION:

- **Reduced cost** - The standardised procedure and method helps in considerably reduction of office cost. Office cost is reduced as it does not emphasizes on more specialists, and more departmental machines and equipment.
- Uniformity in action — Uniformity in action is established throughout the organisation because of central administrative control. The same executive supervises the work and same type of office equipments are used which ensure uniform performance of activities.
- Personal leadership - Centralisation encourages and permit personal leadership. The introduction of personal leadership facilitates quick action, aggressive marketing and attainment of pin-pointed objective or purpose.
- Flexibility - Centralisation permits flexibility and adaptability of the organisation to the changed circumstances. Occasional pressure of extra clerical work is handled with the existing staff.
- Improved quality of work- Improved quality of work is possible because of standardised procedure, better supervision and use of improved- machinery.
- Better co-ordination - Centrlisation facilitate better coordination among various operations. Direct control and supervision are facilitated which results in less likelihood of conflict of authority and duplication of work.

DISADVANTAGES OF CENTRALIZATION :

- Delay in work - Centralisation creates loss of man-hours and delay in performance of work because of transmission of records from and to the central control room. Quick decision is not possible which also results delay in office work.
- Remote control - Better supervision is not possible as the executives are under heavy pressure of work. Slackness in work is developed in the absence of better control and supervision.
- No loyalty- In centralisation there is no subordinate's initiative in work because they are required to do such works which they were asked for. Workers work like machine which results in no involvement in work and absence of zeal. All these factors stand as barrier in the development of loyalty to work.

- No Secrecy—Secrecy is not possible in centralised set up organisation because here orders and decisions flow from one place and are conveyed to all.
- No special attention—In centralisation no special attention is given to special work as all works are done at one place

DECENTRALIZATION: **Decentralization** is a systematic delegation of authority at all levels of management. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

IMPLICATIONS OF DECENTRALIZATION

- ✓ There is less burden on the Chief Executive as in the case of centralization.
- ✓ In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities.
- ✓ In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
- ✓ In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
- ✓ In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level .

The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is highly suitable .

ADVANTAGES:

- **Reduces the burden on top executives:** Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. The only way to lessen their burden is to decentralise the decision-making power to the subordinates.
- **Facilitates diversification:** Under decentralization, the diversification of products, activites and markets etc.,is facilitated.
- **To provide product and market emphasis:** A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.
- **Executive Development:** When the authority is decentralised, executives in the organisation will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

- **It promotes motivation**: Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups. This improves the morale of employees as they get involved in decision-making process.
- **Better control and supervision**: Decentralisation ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions.
- **Quick Decision-Making:** Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

DISADVANTAGES:

- **Uniform policies not Followed**: Under decentralisation, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.
- **Problem of Co-Ordination:** Decentralisation of authority creates problems of co-ordination as authority lies dispersed widely throughout the organisation.
- **More Financial Burden**: Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.
- **Require Qualified Personnel**: Decentralisation becomes useless when there are no qualified and competent personnel.
- **Conflict**: Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

DELEGATION OF AUTHORITY

The **Delegation of Authority** is a process wherein the manager assigns responsibility to its subordinate along with the certain authority to accomplish the task on the manager's behalf. Delegation of Authority implies division of authority and power downwards to the subordinate. Delegation emphasizes on entrusting someone to do parts of the job since a manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager goes beyond his capacity, there should be some system of sharing the work. Therefore, delegation of authority has become an important tool in organization's function.

Definition:

- ❖ Delegation means assigning work to others and giving them authority to do it."
  - F. G. Moore
- ❖ "Delegation means conferring authority from one executive or organisational unit to another in order to accomplish particular assignment." —George R. Terry
- ❖ "Delegation is an act of comparing authority by some higher source of authority."

IMPORTANCE OF DELEGATION OF AUTHORITY

- Delegation leads to better decisions.
- Delegation relieves the manager from heavy work load.
- Delegation helps to improve the motivation and morale of subordinates.
- Delegation speeds up decision making.
- Delegation facilitates training of subordinates.
- Delegation creates a formal organization structure.
- Delegation of authority is the ground on which the superior-subordinate relationship stands.
- Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill.

STEPS AND GUIDELINES FOR EFFECTIVE DELEGATION

- **Assignment of Duties to Subordinates:** Before the actual delegation of authority, the delegator must decide on the duties which he wants the subordinate or the group of subordinates to perform. Here, the manager lists the activities to be performed along with the targets to be achieved, and the same is spelled out to the subordinates. Thus, in the first stage, the duties are assigned to the subordinates as per their job roles.
- **Transfer of Authority to perform the duty:** At this stage, an adequate authority is delegated to the subordinate which is essential to perform the duty assigned to him. A manager must make sure; that authority is strictly delegated just to perform the responsibility, as more authority may lead to its misuse by the subordinate.
- **Acceptance of the Assignment:** At this stage, the subordinate either accepts or rejects the tasks assigned to him by his superior. If the subordinate or the delegate, refuses to accept the duty and the authority to perform it, then the manager looks for the other person who is capable of and is willing to undertake the assignment. Once the assignment gets accepted by the subordinate, the delegation process reaches its last stage.
- **Accountability:** The process of delegation of authority ends at the creation of an obligation on the part of the subordinate to perform his responsibility within the powers assigned to him. Once the assignment is accepted by the subordinate, then he becomes responsible for the completion of the duty and is accountable to the superior for his performance.

Thus, the process of delegation of authority begins with the duties assigned to the subordinates and ends when the subordinate is obliged to carry out the operations as intended.

CONTROL

Controlling consists of verifying whether everything occurs in confirmation with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions. In the words of Koontz and O'Donnell "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans." Controlling can also be viewed as detecting and correcting significant variations in the results obtained from planned activities.

According to Brech, "Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs."

FEATURES OF CONTROLLING FUNCTION

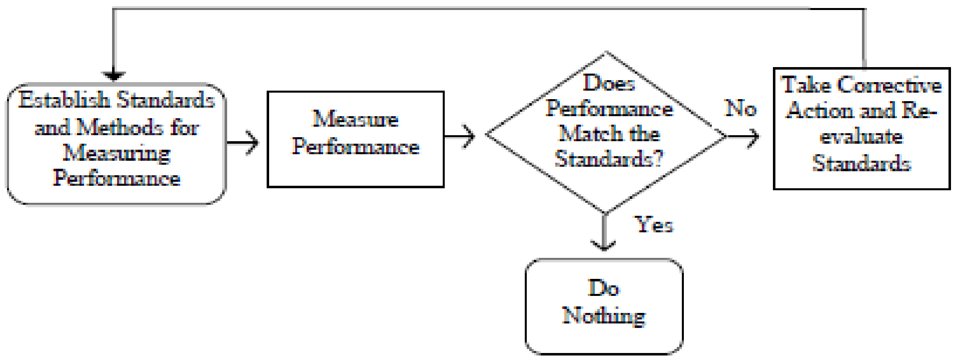
- **Controlling is an end function-** A function which comes once the performances are made in conformities with plans.
- **Controlling is a pervasive function-** It is performed by managers at all levels and in all type of concerns.
- **Controlling is forward looking-** Effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
- **Controlling is a dynamic process-** Since controlling requires taking reviewal methods, changes have to be made wherever possible.
- **Controlling is related with planning-** Planning and Controlling are two in separable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless.

PROCESS OF CONTROLLING

- **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two-

- ✓ **Measurable or tangible** - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
- ✓ **Non-measurable or intangible**- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.



Steps in Controlling Process

- **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-

✓ Attitude of the workers
✓ Their morale to work
✓ The development in the attitudes regarding the physical environment, and
✓ Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

- **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things - extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously.

  Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

✓ Erroneous planning
✓ Implementation of plans is defective
✓ Supervision and communication is ineffective, etc.

- **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here

✓ Taking corrective measures for deviations which have occurred; and
✓ After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes

to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

TYPES OF CONTROL

- **FEED FORWARD CONTROL**: The objective of feed forward control or preliminary control is to anticipate the likely problems and to exercise control even before the activity has started or problem has occurred or been reported. It is future directed. This kind of control is very popular in airlines. They go in for preventive maintenance activities to detect and prevent structural damage, which may result in disaster. These controls are evident in the selection and hiring of new employees. It helps in taking action beforehand.

  Feed forward controls are future-directed and they attempt to detect and anticipate problems or deviations from the standards in advance of their occurrence. They are in-process controls and are much more active, aggressive in nature, allowing corrective action to be taken in advance of the problem. Feed forward controls thus anticipate problems and permit action to be taken before a problem actually arises.

- **CONCURRENT CONROL:** Concurrent control is also called steering control because it allows people to act on a process or activity while it is proceeding, not after it is proceeding, nor after it is completed. Corrections and adjustments can be made as and when the need a rises. Such controls focus on establishing conditions that will make it difficult or impossible for deviations from norms to occur.

  It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards. The technique of direct supervision is the best-known form of concurrent control. Concurrent control is designed to ensure that employees' activities produce the correct results and to correct the problems, if any, before they become costly. In case of computer typing, if the spelling is wrong or construction is incorrect, the programme immediately alerts the user.

  An example of concurrent control is the development by companies of job descriptions and job specifications. It may be recalled that job description identifies the job that has to be done, thus clarifying working relationships, responsibility areas, and authority relationships. It thus assists in preventing unnecessary duplication of effort (work) and potential organisational conflict.

- **FEEDBACK CONTROL:** Feedback control is future-oriented. It is historical in nature and is also known as post-action control. The implication is that the measured activity has already occurred, and it is impossible to go back and correct performance to bring it up to standard. Rather, corrections must occur after the act.

  Corrective action is taken after analysing variances with the planned standards at the end of the activity. It is also known as 'post action control', because feedback control is exercised after the event has taken place.Such control is used when feed forward or concurrent is not possible or very costly; or when exact processes involved in performing a work is difficult to specify in advance.