

# STELLA MARY'S COLLEGE OF ENGINEERING

(Accredited by NAAC, Approved by AICTE - New Delhi, Affiliated to Anna University Chennai)

Aruthenganvilai, Azhikal Post, Kanyakumari District, Tamilnadu - 629202.

## MG8591 PRINCIPLES OF MANAGEMENT

(Anna University: R2017)



*Prepared By*

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**DEPARTMENT OF MECHANICAL ENGINEERING**



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Aruthenganvilai, Kallukatti Junction Azhikal Post, Kanyakumari District-629202, Tamil Nadu.

## DEPARTMENT OF MECHANICAL ENGINEERING

### COURSE MATERIAL

<b>REGULATION</b>	<b>2017</b>
<b>YEAR</b>	<b>IV</b>
<b>SEMESTER</b>	<b>08</b>
<b>COURSE NAME</b>	<b>PRINCIPLES OF MANAGEMENT</b>
<b>COURSE CODE</b>	<b>MG8591</b>
<b>NAME OF THE COURSE INSTRUCTOR</b>	<b>Mr. S.R. RAJKUMAR</b>

### SYLLABUS:

#### UNIT I INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS 9

Definition of Management – Science or Art – Manager Vs Entrepreneur - types of managers - managerial roles and skills – Evolution of Management – Scientific, human relations , system and contingency approaches – Types of Business organization - Sole proprietorship, partnership, company-public and private sector enterprises - Organization culture and Environment – Current trends and issues in Management.

#### UNIT II PLANNING 9

Nature and purpose of planning – planning process – types of planning – objectives – setting objectives – policies – Planning premises – Strategic Management – Planning Tools and Techniques – Decision making steps and process.

#### UNIT III ORGANISING 9

Nature and purpose – Formal and informal organization – organization chart – organization structure – types – Line and staff authority – departmentalization – delegation of authority – centralization and decentralization – Job Design - Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management , Career planning and management.

#### UNIT IV DIRECTING 9

Foundations of individual and group behaviour – motivation – motivation theories – motivational techniques – job satisfaction – job enrichment – leadership – types and theories of leadership – communication – process of communication – barrier in communication – effective communication – communication and IT.

## UNIT V CONTROLLING

9

System and process of controlling – budgetary and non-budgetary control techniques – use of computers and IT in Management control – Productivity problems and management – control and performance – direct and preventive control – reporting.

### TEXT BOOKS :

1. JAF Stoner, Freeman R.E and Daniel R Gilbert “Management”, 6th Edition, Pearson Education, 2004.
2. Stephen P. Robbins & Mary Coulter, “Management”, Prentice Hall (India) Pvt. Ltd., 10th Edition, 2009

### REFERENCES:

1. Harold Koontz & Heinz Weihrich, “Essentials of Management”, Tata McGrawHill, 1998.
2. Robert Kreitner & Mamata Mohapatra, “Management”, Biztantra, 2008.
3. Stephen A. Robbins & David A. Decenzo & Mary Coulter, “Fundamentals of Management”, 7th Edition, Pearson Education, 2011.
4. Tripathy PC & Reddy PN, “Principles of Management”, Tata McGrawHill, 1999

### Course Outcome Articulation Matrix

	<i>Program Outcome</i>												<i>PSO</i>		
<i>Course Code / CO No</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>1</i>	<i>2</i>	<i>3</i>
<b>MG8591 / C430.1</b>	1	1	2	1	0	2	1	3	1	1	1	2	0	0	3
<b>MG8591 / C430.2</b>	1	2	1	1	0	2	0	3	1	1	2	1	0	0	3
<b>MG8591 / C430.3</b>	1	2	2	1	0	1	3	3	1	1	1	1	0	0	3
<b>MG8591 / C430.4</b>	1	3	1	2	0	2	2	3	1	1	2	1	0	0	3
<b>MG8591 / C430.5</b>	1	2	1	2	0	1	2	3	1	1	1	1	0	0	3
<b>Average</b>	1	2	1	1	0	2	2	3	1	1	1	1	0	0	3

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## **Unit – I – Over View Of Management**

### **Management**

- as how the mind controls the human body and its function similar management (mind) controls the various activities ( human body) in the Organisation
- Collection of physical equipments, 4 M's in Organisation – Men, Machine, Materials, Money, and leads to nothing. For efficient and profitable functioning it is necessary that all these factors are put to work in a co-ordinated manner.

### **Management Definition**

Management is the art of getting things done through others. Harold Koontz Def as “ Management is the process of designing and maintaining an environment in which individuals, working together in groups efficiently to accomplish selected aims”

- Managers carry out their managerial function
- Applies to any kind of Organisation
- Applies to managers at all Organisational levels
- Aim is to create a surplus
- Concerned with productivity, implies effectiveness and efficiency
- Mgt of 4 M's in the Orgn – Men, Machine, Materials & money

### **Characteristics of Management**

- Mgt is Universal
- Mgt is dynamic
- Mgt is a group of managers
- Mgt is Purposeful
- Mgt is goal oriented
- Mgt is integrative Function
- Mgt is a Social process
- Mgt is a Multi-faceted discipline
- Mgt is a continuous process
- Mgt is a system of authority

- Mgt is a resource
- Mgt is intangible
- Mgt is profession, an art as well as a science

### **ADMINISTRATION VS MANAGEMENT**

<b>Basis of Distinction</b>	<b>Administration</b>	<b>Management</b>
Policy and objectives	Determination of objectives & policies	Implementation of Policies
Main Functions	Legislative & determination function	Executive Function
	Planning, Organising staffing	Directing, Motivating, Coordinating Controlling
	Provides a sketch of the enterprise	Provides the entire body
Influence	Influenced mainly by public opinion & other outside force	Influenced mainly by administrative function
Levels of Management	Mainly top level function involves thinking & planning	Mainly middle level function involves doing and acting
Level of Executives	Owners/ Board of Directors	MD, GM & Managers
Position	Acts as a principal	Acts as an agency
Knowledge	Requires more admin ability	Requires more technical

	than technical ability	ability than admin ability
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## **Management as an Art**

The main elements of an art are –

- Personal Skills
- Practical know-how
- Application of knowledge
- Result orientation
- Creativity
- Constant practice aimed at perfection

**Management is basically an art because of the following reasons –**

- A manager applies his knowledge and skills to coordinate the efforts of his people
- Mgt seeks to achieve concrete practical results
- Mgt is creative. It brings out new situation and converts into output
- Effective Mgt lead to realization of Organizational and other goals. Mastery in Mgt requires a sufficiently long period of experience in, managing.

## **Management as Science**

The essential elements of Science

- Systematised body of Knowledge
- Underlying principles and theories developed through continuous observation, inquiry, experimentation and research.
- Universal truth and applicability.
- Organised body of knowledge can be taught and learnt in class room and outside.
- Mgt is a social science. It contains all the essentials of science. It is an inexact science.
- PERT, CPM, Cost A/C, Finance, MBO etc

Thus, the theory (Science) and practice (art) of Mgt go side by side for the efficient functioning of an organisation.

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## **Management as a Profession**

The essential attribute of a profession

- A well-defined and organised body of knowledge
- Learning and Experience
- Entry restricted by qualification
- Recognised national body
- Ethical code of conduct
- Dominance of service motive

**Mgt is not a full fledged profession now due to the following shortcomings**

- Skills not fully developed
- No uniform method of entry
- Objective is monetary rather than service
- Ethical code is not strict
- Associations are not statutory bodies

But in India it is developing into a profession and it will be achieved in due course.

## **Managerial Skills**

- Conceptual skills
- Human Skills
- Technical Skills
- Design Skills – Decision making

## **Need for Management**

1. To increase efficiency
2. To crystallize the nature of Mgt job
3. To improve research in Mgt
4. To attain social goals

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## **Levels of Management**

### **1. Top Level Mgt –**

#### **Board of Directors, MD, Owners, Chief Executives**

- To analyse, evaluate and deal with the environmental forces
- To establish overall long term goals and broad policies of the company including the master budget
- To appoint departmental and other key executives
- To represent the company to the outside world
- To coordinate the activities and efforts of different department

### **2. Middle Level Mgt –**

#### **Sales Executives, Production Executives, Production executives etc.**

- To interpret and explain the policies framed by top management
- To compile and issue detailed instruction regarding operations
- To Cooperate among themselves so as to integrate various parts of the division or a department
- To motivate supervisory personnel to work for Orgn goals
- To develop and train supervisory and operative personnel.

### **3. Supervisory / Operating / Lower Level Mgt –**

#### **Superintendents, Branch managers, General Foremen**

- To plan day to day production within the goals lay down by higher authority
- To assign jobs to workers and to make arrangement for their training and development
- To supervise and control workers and to maintain personal contact with them.



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## **Roles of a manager ( Mintzberg)**

1. **Interpersonal Role** - Interacting with people inside and outside the Orgn
  - **Figurehead** – as a symbolic head of an organisation, the manager performs routine duties of a legal nature
  - **Leader** – Hiring, Training, motivating and guiding subordinates
  - **Liason** - Interacting with other managers outside the orgn to obtain favours and information
2. **Informational Role** – Serving as a focal point for exchange of Information
  - **Monitor** – Seeks and receive information concerning internal and external events so as to gain understanding of the Orgn and its environment.
  - **Disseminator** – Transmits information to subordinates, peers and superiors within the Organisation
  - **Spokesperson** – Speaking on behalf of the Orgn and transmitting information on Orgn plans, policies and actions to outsiders.
3. **Decisional Role** – Makes important decision
  - **Entrepreneur** – Initiating changes or improvements in the activities of the Orgn
  - **Disturbance handler**- Taking charge and corrective action when Orgn faces unexpected crises
  - **Resource allocator** – Distributing Orgn's resources like money, time, equipment and labour
  - **Negotiator** – Representing the Orgn in bargaining and negotiations with outsiders and insiders

## **Importance of Management**

Management is the dynamic life –giving element in every business. Without it the resources of production remain resources and never become production. Sound Management provides the following benefits .

- Achievement of group goals

- Optimum utilization of resources
- Fulfillment of social obligations
- Economic growth
- Stability
- Human Development
- Meets the challenge of change

#### **Classification of managerial Functions**

<b>Functions</b>	<b>Sub Functions</b>
Planning	Forecasting, decision making, strategy formulation, policy making, programming, scheduling, budgeting, problem-solving, innovation, investigation and research.
Organising	Grouping of Functions, Departmentation, delegation, decentralisation, activity analysis, task allocation
Staffing	Manpower planning, job analysis, Recruitment, Selection, Training, Placement, Compensation, Promotion, appraisal, etc.
Directing	Supervision, Motivation, communication, Leadership, etc
Controlling	Fixation of standard, recording, measurement, reporting corrective action.

#### **Evolution of Management**

##### **Father of Management – Henry Fayol (1841 – 1925)**

Henry Fayol contributed 14 principles to Mgt which is widely applied in all the Orgn

1. Division of Work
2. Authority and Responsibility

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3. Discipline
  4. Unity of Command
  5. Unity of Direction
  6. Subordination of individual interest to general interest
  7. Remuneration of personnel
  8. Centralisation
  9. Scalar Chain
  10. Order
  11. Equity
  12. Stability of Tenure of Personnel
  13. Initiative
  14. Esprit-de-corps

### **Critical Evaluation**

- Too formal
  - Not pay adequate attention to workers
  - Vagueness
  - His principle hinted but did not elaborate that mgt can and should be taught.
- Despite these limitations, Fayol made a unique and outstanding contribution to Mgt theory.

### **Scientific Management**

#### **Father of Scientific Management F.W. Taylor (1856 –1915)**

“The art of knowing exactly what you want men to do and see that they do it in the best and cheapest way.”

Mgt a Science based upon certain clearly defined principles

#### **Principles of Scientific Management**

- ◆ Science not rule of thumb
- ◆ Harmony not discord
- ◆ Co-operation not individualism
- ◆ Maximum output in place of restricted output

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- ◆ Development of each individual to his greatest efficiency and prosperity
  - ◆ Mental Revolution – Workers and Management, Workmen towards their work, their fellowmen and towards their employees. Mental attitude of the two parties.

### **Techniques of Scientific Management**

1. Time Study
2. Motion Study
3. Scientific task Planning
4. Standardization and simplification
5. Differential piece rate system
6. Functional foremanship – According to Taylor, one supervisor cannot be an expert in all aspects of work supervision. In system of Functional Foremanship in which eight supervisors supervise a workers job.
  - i. Route Clerk
  - ii. Instruction card clerk
  - iii. Time and cost clerk
  - iv. Shop disciplinarian
  - v. Gang boss
  - vi. Speed boss
  - vii. Repair boss
  - viii. Inspector

### **Critical Evaluation**

- Mechanistic Approach
- Unrealistic Assumptions
- Narrow View
- Impracticable
- Exploitation of Labour

### **George Elton Mayo (1880 – 1949)**

#### **Hawthorne Experiments**

1. **Illumination Experiments** ( illumination affected Productivity)
2. **Relay assembly Test room Experiments** ( Working conditions and Productivity), piece work, rest pauses, shorter working hours,
3. **Mass interviewing Programme** ( Direct Questions), Grievances, deep rooted disturbance, satisfactory level

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## **Outcomes**

- Workers working in a group develop bond of relationships
- Behaviour at workplace depends on their mental state, emotions and prejudices
- Emotional factors play an important role in determining
- Human and liberal attitude of supervisor helps in improving performance
- Managerial skills and technical skills are not necessary to be a successful leader.
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## **HENRY LAURENCE GANTT (1861 -1919)**

- Contribution was famous, Gantt Chart, used for scheduling and control of work.
- Task and Bonus plan ( Minimum wages is guaranteed to all workers irrespective of output, Extra wages are paid for extra work)

## **FRANK BUNKER GILBRETH (1868 – 1924)**

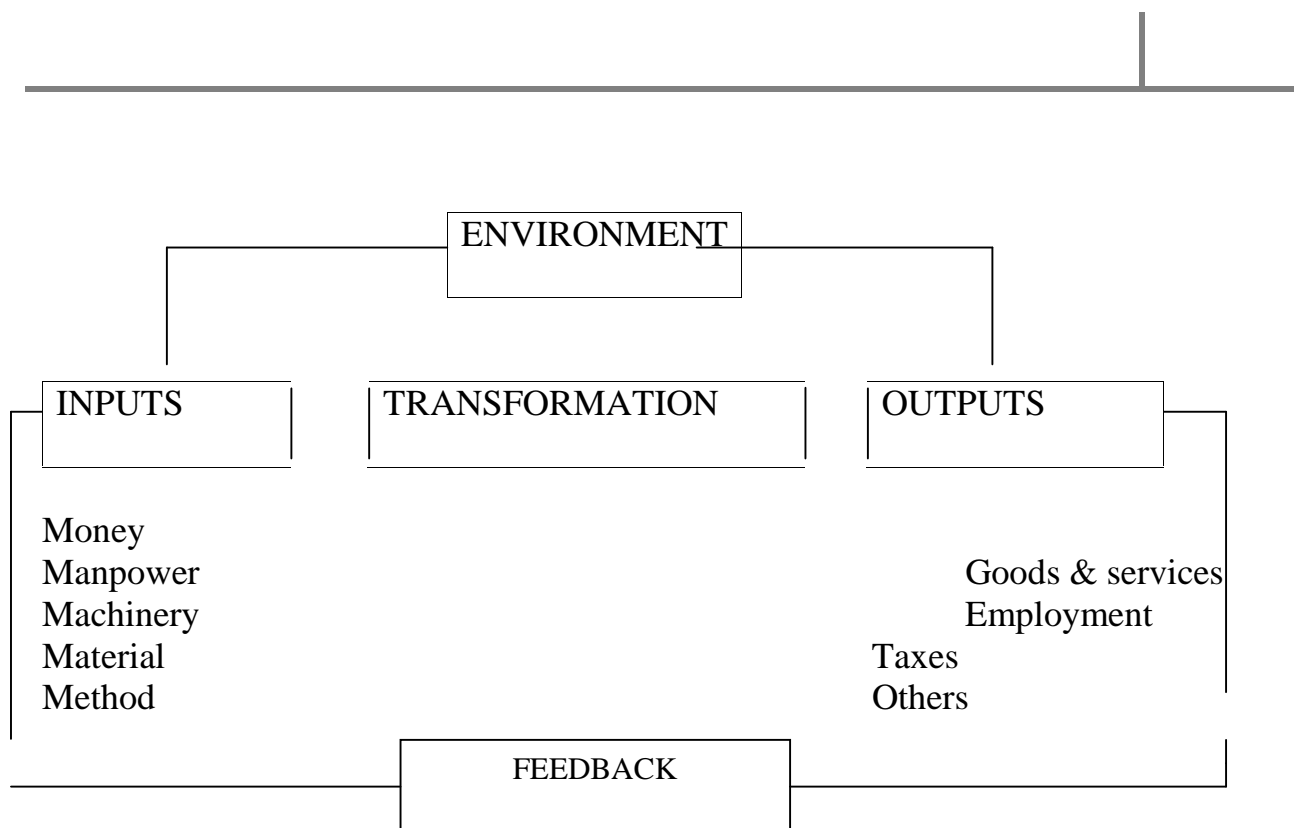
- Motion study, time study
- Fatigue Study
- Work Simplification – 3 positional promotion plan ( present position, the position to be held before promotion to his present position and the next higher position)

## **APPROACHES TO MANAGEMENT**

Modern management has developed through several stages or approaches.

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

1. Classical Approach
2. Behavioral Approach
3. Management Science Approach
4. System Approach
5. Contingency Approach



Systems approach is an improvement over classical and neoclassical theories as it is closer to reality. The traditional theorists viewed organization as a closed system while modern theorists treat it as open system. The system approach highlights the multidimensional and multidisciplinary nature of management. It takes much wider and overall perspective of organizational functioning.

## **SOCIAL RESPONSIBILITY AND ETHICS**

**SOCIAL RESPONSIVENESS** – The ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to society.

- Reaction or proaction
- The role of government
- The influence of values and performance
- Criteria on behaviour

**Def . Peter Drucker** “ Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony.”

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## **The Social Audit**

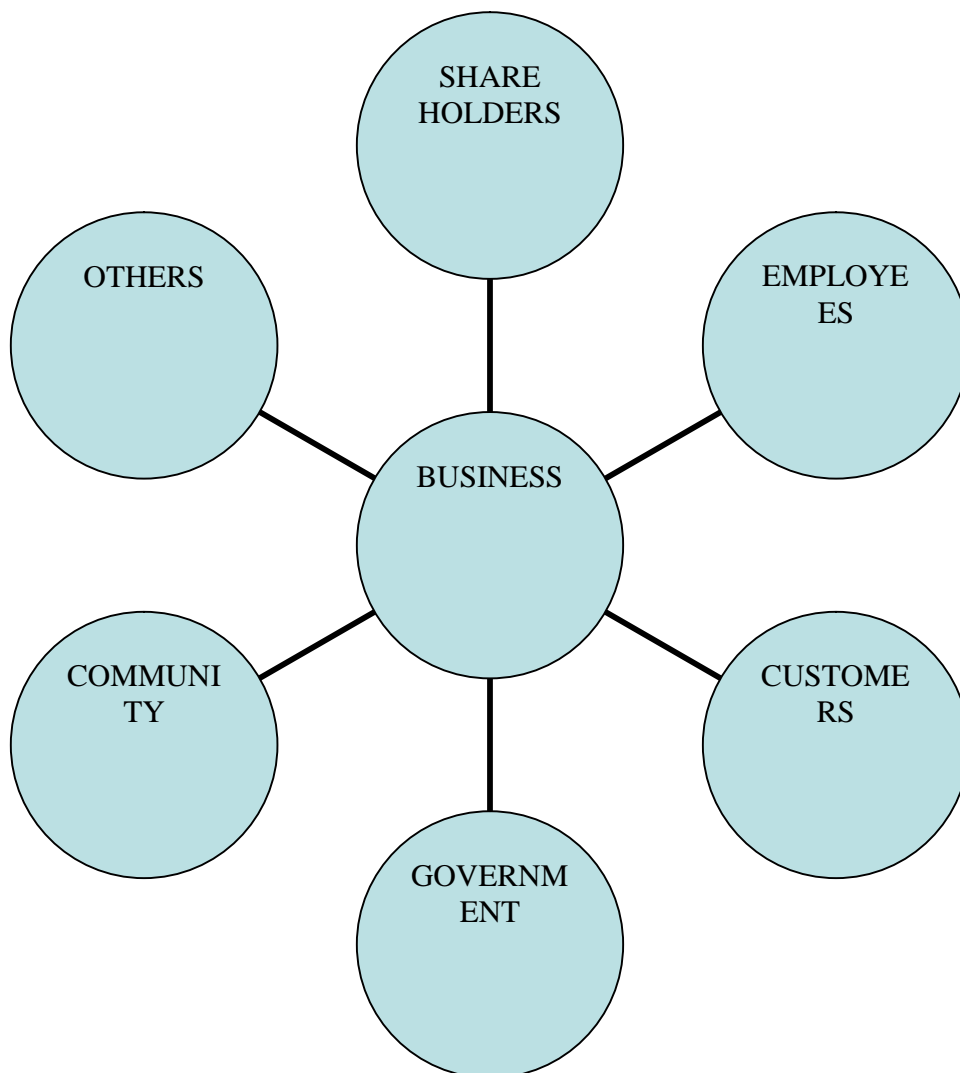
The Social audit has been defined as “ a commitment to systematic assessment of and reporting on some meaningful, definable domain of company’s activities that have social impact.”

Society has become increasingly aware of the interdependence between the business and its environment. As business grow in size and power, society expects more from them several forces have led to the development of the concept of social Responsibility. Some of the forces are -

- Consumerism
- Trade Union
- Public Opinion
- Enlightened Self Interest
- Professionalisation
- Trusteeship

Responsibility of business to perform its basic economic function of producing and supplying products and services in the most efficient manner so as to maximize profits.

## **Social Responsibility of Business**



### **Ethics in Managing**

- Ethics is defined as the discipline dealing with what is good and bad, with moral duty and obligation.

- Personal Ethics has been referred to as “ the rules by which an individual lives his or her personal life.

- Accounting ethics pertains to the code that guides the Professional conduct of accountants.

**Business Ethics** is concerned with truth and justice and has a variety of aspects such as expectations of society, fair competition, advertising, public relations, Social



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responsibilities, Consumer autonomy and Corporate behaviour in the home country as well as abroad.

### **Ethical Theories**

- Utilitarian Theory suggests that plans and actions should be evaluated by their consequences.
- Theory based on rights holds that all people have basic rights.
- Theory of justice demands that decision makers be guided by fairness and equity, as well as impartiality.

### **Institutionalizing Ethics**

This means applying and integrating ethical concepts into daily action. This can be accomplished in 3 ways-

1. By establishing appropriate company policy or a code of Ethics
2. By using a formally appointed ethics committee
3. By teaching ethics in Management development programs

**A code is a statement of Policies, principles, or rules that guide behaviour.**

**The functions of Ethics Committee includes-**

1. holding regular meeting to discuss ethical issues
2. dealing with gray areas
3. Communicating the code to all members of the Organization
4. Checking for possible violations of the Code
5. Enforcing the Code
6. Rewarding compliance and punishing violations
7. Reviewing and updating the code
8. reporting activities of the committee to the board of directors

### **Factors that raise Ethical Standards**

1. Public disclosure and publicity
2. The increased concern of a well informed public.

## **Globalisation**

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Globalization means covering or affecting the whole world. It means integration of the domestic economy of a country with the international economy. Recent developments in information and communication technology have accelerated the pace of globalization.

- Globalisation means the internationalization of trade. Particularly product transaction and the integrating of economic and capital markets throughout the world.
- The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.
- In globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.

The term globalization has four parameters:

- Reduction of trade barriers, so as to permit free flow of goods across national frontiers.
- Free flow of capital among nations.
- Free flow of technology among nations.
- Free movement of labour among different countries of the world.

### **Benefits of Globalisation**

- Improves efficiency
- Improves factor Income
- Improves finance
- Gains from Migrations

### **Drawbacks of Globalisation**

- Globalisation increases the problems of unemployment
- Domestic Industries finds difficulty in survival.
- Only group of people who participate in the process of Globalization will be benefited, this creates income inequality within the country
- Control on domestic economy becomes more difficult
- Developing country suffers from the problem of brain-drain

### **International Business**

- Involves commercial activities that cross national frontiers

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- It is a process of Entrepreneur conducting business activities across national boundaries
  - It consist of Exporting, Importing, licensing, opening of Sales office
  - The activities necessary for ascertaining the need and want of target consumer often takes place in more than one country. When an Entrepreneur executes his or her business model in more than one country International Business Occurring.

### **Entry into International Business**

The method of entering or engaging in International Business can be divided into three categories

#### **1. Exporting**

- Indirect Exporting
- Direct Exporting

#### **2. Non Equity arrangement** – Doing international business through an arrangement that does not involve any investments.

- Licensing - allowing someone else to use something of the company's in return for the payment of royalty
- Turn key Projects – A foreign Entrepreneur build a factory or other facility, training the workers, train the management and then turn it over to the local owners once the operation is completed, hence the name turn key operation
- Management Contracts – Contracting management techniques and skills. The management contracts allow the purchasing country to gain foreign expertise without giving ownership of its resources to a foreigner.

#### **3. Direct Foreign Investments** – preferred mode of ownership

- Minority Interest – Having less than 50% Ownership Position
- Joint Ventures – Merger of two companies.

### **Globalization in India**

Some major aspects of the policy of globalization in India are:

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**i) Liberalisation of imports:**

Most imports has been put under open general licence (OGL) where automatic permission is granted to import goods. Export oriented units (EOUs) have been allowed to import freely all types of goods require by the unit for manufacturing, production or processing. The Government in it's trade policy announced on 31<sup>st</sup> August 2004 has permitted import of second hand capital goods without any age restrictions.

**ii) Export promotion through rationalization of tariff structure:**

Tariff structure refers to the pattern of custom duties levied on the imports of various commodity groups. The government initiated the process of tariff reduction in 1991, to bring our tariff rates in line with the other developing countries: making Indian goods competitive in the world market. High quality and low cost goods can offer competition in the world market and improve India's exports.

**iii) Foreign direct investment:**

**iv) Foreign technology:**

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## **Unit – II - Planning**

- Deciding in advance what to do, how to do, when to do and who is to do it.
- Bridges the gap between where we are to where we want to go.
- Thinking before doing.
- Intellectual demanding process.

### **Nature of Planning**

1. It's contribution to purpose and objectives.
2. Primacy of functions – Planning & control are inseparable
3. Pervasiveness of planning – it is a function of all managers. Varies from level to level
4. Efficiency of plans – Plans are efficient if they achieve their purpose at a reasonable cost

### **Types (scope) of plans**

#### **I Purposes or missions:**

- Meaningful existence – special task
  - Elements are primary market, profitability, management philosophy and corporate image
- Eg. 1. Distribution of goods & services
- ITC “Satisfaction”
  - Dupont “better things through chemistry”
  - Hallmark “The social expression business”
  - GEC / USH “We are in energy business”

#### **II Objectives:**

- Ends towards which all activities are directed
- They are the most basic plan and all other plans are based on the objectives
- They are multiple in nature.
- MBO
- Objectives and goals are interchangeable
- They have hierarchy.
- They are verifiable
- They form a network.

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- They differ in time span. Some are long term and short term.
  - Objectives may be general or specific.
  - Classified into
    - External institutional objectives (to develop high degree of corporate image – TATA)
    - Internal Objectives (profit/maximum rate of return)

### **III Strategies:**

- General program of action and deployment of resources to attain Comprehensive objectives.
- SWOT analysis
  - Eg 1. rural marketing
  - 2. Extension of Distribution width & Length
  - 3. Pester power strategy, social marketing, co-branding, co-marketing.
- Contingent plan to meet the demands of a difficult situation.
- Mainly the job of the top management.

### **IV Policies:**

- General statements or understandings which guide or channel thinking and take actions in decision making.
- Guidelines for decision making
- All policies are statements, sometimes it is only practices (implied)
- Allows for some discretion otherwise it becomes rules
- It is a means of encouraging discretion and initiative, but within limits.
- Policies are developed with the active participation of the entire top level executives.

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- Policy is in writing. They take concrete shape when they are put in writing. This will ensure uniformity in application, continuity and greater conformity.

### **Advantages:**

- i. Top management provides guidelines to lower level managers.
- ii. Gives managers to act at all levels without the need to consult the superiors every time.
- iii. Better Administrative control. Provides rational basis for evaluating the results.
- iv. By setting up of policies, the management ensures that the decisions made will be in tune with the objectives and interests of the organization.
- v. They save time and effort by pre-deciding problems in repetitive situations. They save the management from the botheration of repeating the expensive analysis required to take the policy decision every time.

### **Limitations:**

- Policy is formulated under particular preset conditions which do not remain the same for all problems.
- Requires constant review and revision.
- No formula for all problems
- Serve as guides for thinking and action and do not provide solutions to problems.
- They are not substitute for human judgment. They only point out the limits within which the judgment is to be taken.
- They may stifle individual initiative and creativity.

### **Types of Policies:**

- a) Organizational and functional policies.
- b) Originated, Appealed and Imposed policies
- c) General and Specific policies.

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d) Written and Implied policies.

**V Procedures:**

- It establishes a required method of handling future activities.
- They are guides to action, rather than to thinking.
- Provides details of certain activity, the exact manner in which it must be achieved.
- Chronological order. (stated in steps)
- Found in every level of an organization.

**Advantages:**

- Minimizes the burden of decision making
- Leads to simplification of work flow
- Elimination of unnecessary steps.
- Developed after careful analysis of various operations which are necessary to bring co-ordination in organization.
- Uniformity and conformity of action
- Aid to communication – steps to be followed to complete a particular work.
- Medium of control to evaluate the performance of the subordinate

**Limitations**

- Rigidity- discourages improvement
- Fixed way of doing a particular job
- Need to be reviewed and updated constantly

**VI Rules:**

- Rules spell out specific required action or non action, allowing no scope for discretion.
- Rules Vs Procedures Vs Policies
- Rules – no time sequence – “No smoking”
- Sequence of rules.
- Detailed recorded instructions



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- Uniform handling of events
  - To avoid repeated approval from higher levels for routine matters.
  - Offers definite direction to planning process

**VII Programs:**

- Combination of goals, policies, procedures, task assignments, steps to be taken resources to be employed to carry out a given course of action.
- Time element is introduced
- Planning for future events and establishing a sequence of required actions.
- Supported by budgets.
- Primary program & supporting programs.

**VIII Budgets:**

- Statement of expected results expressed in quantitative terms.
- Expected income and expenditure under different heads.
- Gives clarity, direction and purpose in an organization.
- Control device.
- Fixed or variable (flexible) budget.
- Functional budgets.

**Steps in Planning:**

1. Being aware of opportunities.
  - SWOT analysis
2. Establishing objectives.
3. Developing premises
  - Planning premises are forecasts, applicable basic policies, and existing company plans.
  - They are assumptions about the environment in which plan is to be carried out.
  - Forecasting is important for premising.
  - Premises should be make practical what volume of sales? What price?
4. Determining alternative courses of action
5. Evaluating alternative course of action
  - Operation Research – Decision tree
6. Selecting a course of action

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- Decision making
  - 7. Formulating Derivative plans
    - Supporting plans for basic plan
  - 8. Numerating plans by budgeting
    - Income and expenses

### **Kinds of planning**

1. Short term and long term planning
2. Financial & non financial planning
3. Formal & informal planning
4. Specific or Routine planning
5. Corporate planning and strategic planning

### **Objectives / Importance / Advantages of Planning**

1. Focuses attention on objectives & results
2. Reduces uncertainty and risk
3. Provides sense of direction
4. Encourages innovation & creativity
5. Helps in coordination
6. Guides decision making
7. Provides a basis for decentralization
8. Provides efficiency in operation
9. Facilitates control

### **Features of a good plan**

1. Based on clearly defined objectives
2. Simple, easily understandable
3. Flexible or adaptable to changing conditions
4. must be balanced in all respects
5. must provide standards for the evaluation of performance and actions
6. It should be economical
7. It should be practicable
8. Prepared with the consultation of concerned persons

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9. Should be clear, specific and logical
  10. Should be capable of being controlled

### **Types of Planning (Time limit)**

1. Long term plans (Above 5 yrs)
2. Medium term plans (Between 2 to 5 Yrs)
3. Short term plans ( Less than 2 yrs)

### **Planning can be classified as –**

1. Corporate Planning
2. Divisional Planning
3. Strategic Planning

<b>S.No</b>	<b>Strategic Planning</b>	<b>Operational Planning</b>
1	Lays down major goals and Policies of the Organisation	Decides the use of resources in day to day operations
2	Done at higher levels of Management	Done at lower level of Management
3	Long term in nature	Short term in nature
4	Broad and general	Detailed and specific
5	Based on long term forecast and appraisal of Environment	Based on past experience

### **Obstacles of Effective Planning**

1. Inadequate inputs
2. Lack of ability
3. Sudden emergencies
4. Need for creativity
5. Resistance to Change

### **Ways to Overcome the Obstacles**

- 
1. Clear cut Objectives
  2. Develop a sound Management Information System
  3. Create carefully planning premises
  4. Develop a dynamic outlook away manages
  5. keep plans flexible
  6. provide required resources
  7. Undertake a cost benefit analysis of all plans

### **Management by Objectives (MBO)**

“ MBO is 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 Organisation and individual Objectives.”

- Where superiors and subordinates jointly identify the goals of the Organisation

### **Process of MBO**

1. Setting preliminary Objectives
2. Clarifying Organisational roles
3. Setting subordinates Objectives
4. Recycling Objectives

### **How to set Objectives**

1. Quantitative & Qualitative
2. Setting Objectives in Govt
3. Guidelines for setting Objectives

### **Benefits of MBO**

- Improvement of managing
- Clarification of Organisation
- Encouragement of Personal commitment
- Development of Effective control

### **Weakness of MBO**

- 
- Failure to teach the philosophy of MBO
  - Failure to give guidelines to goal setters
  - Difficulty of setting goals
  - Emphasis on short run goals
  - Danger of Inflexibility

### **Planning Premises**

- A plan is based on certain assumptions called premises
- Assumptions or premises are for a future setting or happenings
- Assumptions based upon certain intuition or scientific forecasting
- The assumptions about future derived from forecasting and used in Planning are known as planning premises

### **Def – Koontz O'Donnell**

“Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecast of the future and known conditions that will affect the operations of plans. Eg as prevailing policies and existing company plans that control the basic nature of supporting plans.

- Purpose of premises is to facilitate the planning process by guiding, directing, simplifying and reducing the degree of uncertainty in it. Premises guide planning.

### **Planning Premises Classification**

#### **1. External & Internal**

#### **EXTERNAL**

Economic Environment

- Includes the type of economic system that exist in the economy

- 
- The nature and structure of the economy, the business cycle, the fiscal, monetary and financial policies of the govt, foreign trade and foreign investment policies of the govt.
  - The type of economic system, that is socialist, capitalist or mixed provides institutional framework within which business firms have to work.

### **SOCIAL AND CULTURAL ENVIRONMENT**

- Members of a society wield important influence over business firms.
- Activities of business firms may harm the physical environment and impose heavy social costs.
- Business should consider the social implication of their decisions.
- Social responsiveness 'the ability of a corporate firm to relate its operations and policies to social environment in way that are mutually beneficial to the company and society at large..
- Social responsibility / social responsiveness related to ethics.

### **POLITICAL AND LEGAL ENVIRONMENT**

- Closely related to government.
- Political philosophy of the govt yields a great influence over business policies.

### **TECHNOLOGICAL ENVIRONMENT**

- The nature of technology used for production of goods and services is an important factor responsible for the success of a business firm.

- 
- The improvements in technology raises total factor productivity of a firm and reduces unit cost of output.
  - Technological environment affects the success of firms and the need for technological advancement cannot be ignored.

### **DEMOGRAPHIC ENVIRONMENT**

- Includes the size and growth of population, life expectancy of the people rural urban distribution of population the technological skills and educational levels of labour force.
- Since new workers are recruited from outside the firm, demographic factors are considered as parts of external environment.
- The skills and ability of a firms workers determine to a large extent how well the orgn can achieve its mission.

### **NATURAL ENVIRONMENT**

- In the ultimate source of many inputs such as raw materials, energy which business firms use in their productive activity.
- Availability of natural resources in a region a country is a basic factor in determining business activity in it.
- It includes geographical and ecological factors such as minerals and oil reserves, water and forest resources wealth and climatic conditions, port facilities are all highly significant for various business activities.
- Not the availability of natural resources alone but also the technology and ability to bring them in use that determines the growth of business and the economy.

### **INTERNAL ENVIRONMENT**

- Internal factors are to a good extent controllable factors because the firm can change or modify these factors to improve its efficiency.

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## VALUE SYSTEMS

- Means the ethical beliefs that guides the organization in achieving its mission and objective.
- The value system of a business orgn makes an important contribution to its success and its prestige in the world of business.
- Value system of a business firm has an important bearing on its corporate culture and determines its behavior towards its employees, shareholders and society at large.
- Infosys “Our corporate culture is to achieve our objectives in environment of fairness, honesty, transparency and courtesy towards our customers employees, vendors and society at large”

## MISSION AND OBJECTIVES

- The objectives of all firms are assured to be maximisation of long – run profits.
- Mission is def as the overall purpose or reason for its existence which guide and influences its business decision and economic activities.
- The choice of business domain, direction of its development, choice of business strategy and policies are all guided by the overall mission of the company.
- **Reliance Industries Mission** “To become a world class company and to achieve global dominance. **Ranbaxy laboratories** – to become a research based international pharma company.

## ORGANISATION STRUCTURE



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Means such things as composition of board of directors, the number of independent directors, the extent of professional management and share holding pattern. Significant influence over decision making process in an organization.

### **QUALITY OF HUMAN RESOURCES**

- Quality of employees of a firm is an important factor of internal environment of a firm
- The Success of a business organization depends to a great extent on the skills, capabilities, attitudes and commitment of its employees.
- Due to importance of HR for the success of a company these days there is a special course for managers how to select and manage efficiently HR of a company.

### **LABOUR UNIONS**

- Unions collectively bargain with top managers regarding wages, working conditions of different categories of employees.
- Smooth working of a business organization requires that there should be good relations between mgt & labour union.

### **PHYSICAL RESOURCES AND TECHNOLOGY CAPABILITIES**

- Physical resources such as plant and equipment and technological capabilities of a firm determine its

- 
- competitive strength which is an important factor determining its efficiency and unit cost of production.
  - R& D capabilities of a company determine its ability to introduce innovation which enhances productivity of works.

## **2. Tangible and Intangible premises**

**Tangible** – those which can be quantified. Eg – Money, Units of Production, etc

**Intangible Premises** – refers to the qualitative factors like Public relations, company reputation, Employee morale, etc.

## **3. Controllable and Uncontrollable Factors**

**Controllable** – entirely within the control and realm of management  
Eg- Policies, programmes, rules of the enterprises

**Uncontrollable Factors** – Enterprises has absolutely no control are uncontrollable premises. Eg – War, natural calamities, new invention, population trends.

## **Effective premises**

1. Selection of premises which bear materially on the programs
2. Development of alternative premises for contingency planning
3. Verification of the consistency of premises
4. Communication of the premises.

### SWOT Analysis or / TOWS Matrix

<b><u>Internal Factors</u></b>	<b><u>Internal Strengths (S)</u></b> Eg. Strength in mgt, operation, Finance, Marketing, R&D Engineering	<b><u>Internal Weaknesses(W)</u></b> Eg. Weaknesses in areas shown in the box of strength.
<b><u>External Factors</u></b>		
<b><u>External Opportunities (O)</u></b> Consider risk also. Eg Current and future Economic condition, political and social changes, New product services and Technology	<b><u>SO strategy Maxi – Maxi.</u></b> Potentially the most successful strategy, utilizing the Organisation strength to take advantage of opportunities	<b><u>WO Strategy Mini – Maxi</u></b> Eg. Developmental strategy to overcome weakness in order to take advantage of oppirtunities
<b><u>External Threats (T)</u></b> Eg Lack of energy, competition and areas	<b><u>ST Strategy Maxi – Mini</u></b> Eg. Use of strengths to cope with	<b><u>WT strategy Mini Mini</u></b> Eg. Retrenchment,

<b>similar to those shown in Opportunity box</b>	threats to avoid threats	Liquidation , Joint venture.
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## **Forecasting**

- Process of predicting future conditions, that will influence and guide the activities, behaviour and performance of the Organisation.

**Def** – “ Forecasting is the formal process of predicting future events that will significantly affect the functioning of the enterprises.

## **Features**

- Involvement of Future events
- Depends upon past and present events
- Happening of future events
- Make use of forecasting techniques

## **Process**

- Developing the ground work
- Estimating the future trends
- Comparing actual with estimated results
- Refining the forecast

## **Importance**

- Key to planning

- 
- Means of coordination
  - Basis for control
  - Executive development
  - Facing Environmental challenges

### Forecasting Techniques

- Qualitative ( use of Statistical tools) and Quantitative ( employ human judgments to predict future)
1. **Time series Analysis** – involves decomposition of historical series into its various components. Viz – trend, seasonal variations, cyclical variations and random variations. A trend can be known over the period of time and projections can be made about future.
  2. **Historical Analogy** – past history records
  3. **Correlation** – to find the relationship between two variables. Eg. Between advertising expenditure and sales volume, Future sales estimated on basis of change in adv expenditure
  4. **Regression** – To measure the relationship between two variables. To find the relative movements of two or more interrelated series.
  5. **Delphi Technique** – the minds of the experts in the concerned areas are probed systematically.
  6. **Input output analysis**

### Types of Forecast

- Demand forecast / sales forecast
- Economic Forecast
- Technological Forecast

### Comparison of Planning and Forecasting

S.No	Planning	Forecasting
1	Planning is more comprehensive, it involves many sub processes and	Forecasting is the estimate of future events and provides parameters to the

	elements in order to arrive at decision	planning
2	Requires several decision making	Forecasting does not involve decision making
3	For planning top management level is involved	Forecasting is usually carried by middle or lower level management
4	Commitment of action is the basic motive of planning	Forecasting does not require any commitment but helps planning for future actions

## Decision Making

- is the process of choosing a course of action from available alternatives
- **Def .** Haynes & Massie “ Decision making is a process of selection from a set of alternative courses of action which is thought to fulfills the objective of the decision – problem more satisfactorily than others.”

## Types of Managerial Decisions

1. Organizational and Personal Decisions
2. Routine and Strategic Decisions
3. Programmed and Non programmed Decision
4. Policy and Operating Decision
5. Individual and Group decision

## Decision making Process

1. Defining the problem
2. Analysing the problem
3. Developing alternative solutions
4. Evaluating the Alternatives
5. Selecting the best alternatives
6. Implementing the decision

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### **Factors involved in Decision Making**

1. **Tangible Factors** - things which can be measured, Fixed cost, operating cost, profits, machine, etc
2. **Intangible factors** – Unmeasurable elements. Eg. Employee morale, quality of labour relations, Consumer behaviour, etc. – Personal values & Orgn Culture, Group decision making, Creative and innovation

### **Problems of Decision Making**

1. Indecisiveness
2. Time pressure
3. Lack of Information
4. confusing symptoms with causes
5. Failure to evaluate correctly
6. Lack of follow through

### **Key to success in Decision Making**

1. Be problem oriented not just solution oriented
2. Set decision making goals
3. Always check the accuracy of the information
4. Don't be afraid to develop innovative alternatives
5. Be flexible
6. Gain commitment for decision at an early stage
7. Evaluate and follow up the decision





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## **UNIT 3**

# **ORGANISING**

### **Definitions**

Allen defines Organising as “ the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing their objectives.”

**Koontz and O'Donnell defines** as “ Organisation is the establishment of authority and relationships with provision for coordination between them, both vertically and horizontally in the enterprise structure.

- Organising is the task of mobilizing resources
- A structure involving a large number of people engaging themselves in multiplicity of tasks, a systematic and rational relationship with authority and responsibility between individuals and groups.

### **Process of organizing**

- the manager differentiates and intergrates the activities of his Organisation
  - Differentiation - the process of departmentalization or segmentation of activities on the basis of some similarity
  - Integration – Process of achieving unity of effort among the various departments
1. Establishing Enterprise Objectives
  2. Formulating Supporting objectives, policies and Plans
  3. Identifying and classifying the necessary to accomplish
  4. Grouping the activities in the light of human and material resources available
  5. Delegating to the head of each group the activity necessary to perform
  6. Tying the groups together horizontally and vertically through authority relationship and information flows.

### **Principles of Organising**

1. Objectives
2. Specialisation
3. Span of Control
4. Exception – the higher level have limited time, only exceptionally complex problem should be referred to them and routine matters be dealt by the subordinates at the lower levels
5. Scalar Principle / Chain of command – line of authority
6. Unity of Command
7. Delegation
8. Responsibility
9. Authority

- 
10. Efficiency
  11. Simplicity
  12. Flexibility
  13. Unity of Direction
  14. Personal ability

### **Span of Management**

#### **Factors governing Span of Management**

- Appropriate span of Management must be determined by the specific of the manager particular situation.
1. Ability of the manager
  2. Ability of the Employees
  3. Type of work
  4. Well defined authority & Responsibility
  5. Geographic locations
  6. Level of Management
  7. Economic Consideration

**Orgn with Narrow span** – superior with less number of subordinate to monitor

#### **Advantages**

- Close supervision
- Close control
- Fast Communication, between communication between subordinates & superiors

#### **Disadvantages**

- Superiors tend to get too involved in subordinate work
- Many levels of Management
- High cost due to many levels
- Excessive distance between lowest level and top level

**Orgn with wide span** - superior with more number of subordinate to monitor

#### **Advantages**

- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

#### **Disadvantages**

- Tendency of overloaded superiors to become decision bottlenecks
- Danger of superiors loss of control
- Requires exceptional quality of managers

### **Organisation Chart**

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“ An Organisation chart is a graphic of the various positions in the enter[prise and the formal relationships among them”.

- It is a blueprint of the company organization structure.
- George Terry “ An Organisational Chart is a diagrammatical form, which shows important aspects of an Organisation including the major functions and the respective relationships, the channels of supervision and the relative authority of each employee who is in charge of each respective function.

### **Characteristics**

1. a diagrammatical presentation
2. represent the formal Organisation structure
3. it shows the main lines of authority in the Organisation
4. indicates inter-play of various functions & relationships
5. indicates the channel of communication

### **Types of organization Chart**

1. **Vertical Chart** – lines of command proceeding from top to bottom in vertical lines

2. **Horizontal Chart** – Highest position shown in left

3. **Concentric or Circular Chart**

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### **Contents of Organisation Chart**

1. Basic Organisation structure & flow of authority
2. Authority & Responsibility of various executives
3. Name of components of Organisation
4. Positions of various office personnel
5. Total number of person working in an Organisation
6. Ways of Promotions and salary particulars

Pfiffner and Sherwood classifies into 3 categories

1. Skeleton – a graphical presentation of the framework
  - arranged in levels connected by various lines representing different types of authority
2. Functional – consists of subunits wherein boxes represent divisions and sections
3. Personal Chart – some process of functional chart is used
  - but the boxes here contain personnel information
  - Eg- Job title, name of the position holder

### **Organisation Manual**

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An Organisation Manual is a small handbook or booklet contained detailed information about the Objectives, Policies, Procedures, rules, etc of the enterprise

- It often includes Job descriptions which are factual statements of job contents in terms of duties and responsibilities.

### **Contents of organizational Manual**

1. Introductory
  - Name of the Organisation
  - Nature of the Organisation
  - Objectives of the Organisation
  - Location of the Organisation
  - Purpose of the manual
2. Administrative
  - Organisation Structure – major division, departments, chain of command
  - Job descriptions
  - Organisation Chart
  - Policies of the Management
  - Rules & regulations
3. Procedural
  - Office procedures and practices
  - Specimen form to be used
  - Standard instructions regarding the performance of different jobs
  - Methods relating to accounting, budgeting, etc.

### **Types of Organisation Manual**

1. Policy Manual
2. Company Organisation Manual – describes the duties and responsibilities of various departments
  - Outlines the formal chain of command and lines of promotion in the company
3. Operation Manual – describes the established standards, procedures and methods for various jobs.
4. Department Practice Manual – detailed information about the Organisation
5. Rules & Regulation Manual – prescribes rules regarding hours of work, timing, leave cafeteria, library, recreation, etc.

### **Departmentation**

- 
- As the process of grouping individual jobs in department. It involves grouping of activities and employees into departments so as to facilitate the accomplishment of Organisation Objectives.

### **Need & Importance of Department**

1. Specialisation
2. Expansion
3. Autonomy
4. Fixation of responsibility
5. Appraisal
6. Management development
7. Administrative control

### **Choosing a basis for Departmentation**

1. Specialisation
2. Coordination
3. Control
4. Economy
5. Attention
6. Human Consideration

### **Bases of Departmentation**

1. **Departmentation by Functional Basis** – Grouping of activities in accordance with the function of an enterprise. Each major function of the enterprise is grouped into a department.

#### **Merits**

- It is a logical and time proven method
- It follows the principles of specialization
- Authority and responsibility can be clearly defined and fixed
- Since the top managers are responsible for the end results control shall become effective

#### **Demerits**

- This type of departmentation shall develop a loyalty towards the functions and not towards the enterprise as whole.
- Co-ordination of different function shall become difficult
- Only the departmental heads are held responsible for defective work

2. **Departmentation by Territorial basis** – A company may have separate departments to serve the southern region, northern region etc. It has the advantage of the intimate knowledge of local conditions.

#### **Merits**

- It motivates each regional head to achieve high performance
- Provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.

- It affords valuable top-management training and experience to middle level executives]enables the organization to take advantage of locational factors, such as availability of raw materials, labour, market, etc.
- Enables the Organisation to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones.

#### **Demerits**

- May give rise to duplication of various activities. Many routine and service functions performed by all the regional units can be performed centrally b the head office very economically
- Various regional units may become so engrossed in short run competition among themselves that they may forget the overall interest of the total organization.

3. **Departmentation by Process basis** – is done on the basis of several discrete stages in the process or technologies involved in the manufacture of a product. A cotton textile mill have separate departments for ginning, spinning, weaving, dyeing and printing and packing and sales.

#### **Merits**

- Facilitates the use of heavy and costly equipment in an efficient manner.
- It follows the principle of specialization – each dept is engaged in doing a special type of work. This increases efficiency.
- It is suitable for Organisation which are engaged in the manufacture of those product which involve a number of processes.

#### **Demerits**

- Difficult to compare the performance of different process based departments

4. **Departmentation by Product basis** – suited for a large organization manufacturing a variety of products. For each major product a semi-autonomous department is created and is put under the charge of a manager who may also be made responsible for producing a profit of a given magnitude. Product dept is the logical pattern to follow when each product requires raw materials, manufacturing, technology and marketing methods and that are markedly different from those used by other products in the Organisation. Eg HLL manufacturing detergents, toiletries, Clearasil cream and soap.

#### **Merits**

- Relieves top management of operating task responsibility. It can therefore better concentrate on such centralized activities like finance, R& D and control
- Enables the top management to compare the performance of different products and invest more resources in profitable products and withdraw resources from unprofitable ones.

- 
- Those who work within a department derive greater satisfaction from identification with a recognizable goal.

#### **Demerits**

- Results in duplication of staff and facilities
- Employment of large number of managerial personnel is required.
- Equipment in each product department may not be fully used

5. **Departmentation by Customer basis** – An enterprise may be divided into a number of departments on the basis of the customers that it services. For Eg. An educational institution may have separate departments for day, evening and correspondence course to impart education to full time students, locally employed students and outstation students respectively.

#### **Merits**

- It ensures full attention to major customer groups and helps the company to earn goodwill.

#### **Demerits**

- It may result in under utilization of resources and facilities in some department.
- There may be duplication of facilities

### **Authority**

- Power to take decision
- Right to get orders and obey orders
- Power – Ability of individual to influence the action of other person
- Authority – right in a position to exercise discretion in making decision affecting others.
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### **Bases of Power**

1. Legitimate
2. Expertness
3. Referrant
4. Reward
5. Coercive

**Def “** Authority may be defined as legitimate right to give orders and to get orders obeyed. It denotes certain rights to take decision and get them executed by their subordinates.

### **3 types of Authority**

**Line authority** – are those that have direct impact on the accomplishment of the objectives of the enterprises



- is the direct authority which a superior exercises over his subordinates to carry out orders and instructions.
- The flow of line authority is always downward, that is from a superior to a subordinate
- Creates a direct relationship between a superior and his subordinate
- Line authority is the direct authority which a superior exercises over his subordinates to carry out orders and inspections such authority delegated top those positions or elements of the organization which have direct responsibility for accomplishing the primary objectives.
- Line relationship performs the following roles
  - a. as a chain of command
  - b. as a carrier of accountability (subordinate is answerable to his superior)
  - c. as a channel of communication

**Staff authority** – Staff refers to those elements of the Organisation which help the line to work most effectively in accomplishing the primary objectives of the enterprises.

- are those that help the line person work most effectively in accomplishing the objectives.

#### **Difference between Line and Staff Authority**

<b>S.No</b>	<b>Line Authority</b>	<b>Staff Authority</b>
<b>1</b>	Right to decide and command	Right to provide advice, assistance and information
<b>2</b>	Contributes directly to the accomplishment of Organisational objectives	Assist line in the effective accomplishment of Organisation objectives
<b>3</b>	Relatively unlimited and general	Relatively restricted to a particular function
<b>4</b>	Flow downward from a superior to subordinate	May flow in any direction depending upon the need of advice
<b>5</b>	Creates superior and subordinate relation	Extension of line and support line
<b>6</b>	Exercise control	Investigates and reports
<b>7</b>	Makes operating decision	Provides idea for decision
<b>8</b>	Bears final responsibility for results	Does not bear final responsibility
<b>9</b>	Doing functions	Thinking function
<b>10</b>	Provides channel of communication	No channel of communication is created

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**Functional authority** - is the right which an individual or department has delegated to it over specialized processes, practices, policies or other matters relating to activities undertaken by personnel in department other than its own.

- generally relates to laying down systems and procedures. For Eg. The personnel manager may lay down the grievances procedure to be followed in all departments
- granted to a staff specialist to issue instruction to line executives directly in a specific and limited area of operation.

**Delegation of authority**

- To delegate means to entrust authority to a subordinate
- Assigns some part of his work to his subordinate and also gives the necessary authority to make decision within the area of their assigned duties

**Def .** Koontz and O'Donnel, " The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks, and the exaction of responsibility for their accomplishments."

**Types of delegation**

1. General or Specific
2. Formal or Informal
3. Written or oral
4. Downward and sideward

**Process of Delegation**

1. Determination of results expected
2. Assignment of duties
3. Granting of authority
4. creating accountability for performance

**Accountability** – is the obligation to carry out responsibility and exercise authority in terms of performance standard established by the superior

- Once a subordinate is assigned a duty and given the necessary authority to complete it, he becomes answerable for the results. Thus accountability is a derivative of responsibility.

**Principles of Delegation**

1. Delegation to conform to desired objectives
2. Responsibility not delegatable
3. Authority to match duties
4. Unity of command
5. Limits to authority to well-defined

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### **Merits**

1. Basis of effective functioning
2. Reduction in managerial load
3. Benefits of specialized service
4. Efficient running of branches
5. Aid to employee development
6. Aid to expansion and diversification of business

### **Effective Delegation**

1. Define assignments and delegate authority in the light of results expected
2. Select the person in the light of the job
3. Maintain open lines communication
4. Establish proper control
5. Reward effective and successful assumption of authority

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# Unit IV

## Directing

### Staffing

- Filling and keeping filled, positions in the Organisation structure.
- Def – Koontz and O'Donnell “ The managerial functions of staffing involves manning the Organisational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into structure.

### Functions of Staffing

#### 1. Procurement

- Job analysis
- Man power planning
- Recruitment
- Selection
- Placement

#### 2. Development

- Performance appraisal
- Training
- Management Development
- Career Planning & Development
- Promotion

#### 3. Compensation

- Job evaluation
- Wage and Salary administration
- Incentives
- Fringe Benefits
- Social security measures

#### 4. Human Relations

- is an area of management in integrating people into work situation in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction.

### Sequence of activity in Staffing

**Preemployment activities** - Requisitioning, Recruiting & Selecting

**Post employment activities** - Training, appraising, Promoting and Compensating, Providing miscellaneous services.

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### **Purpose and Importance**

1. Increasing size of Organisation
2. Advancement of technology
3. Long range needs of manpower
4. High wage bill
5. Trade unionism
6. Human relations movement

### **Recruitment & Selection**

- 1<sup>st</sup> Stage, continues with selection and stops with the placement of the candidate
- +ve it stimulates people to apply for jobs to increase the hiring ration. i.e. the number of applicants for a job
- Goal of Recruitment is to create a large pool of persons available and wiling to work.
- Selecting the person overall
- Def.- Edwin & Flippo – “ Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the Orgn.

### **Sources of Recruitment**

1. **Internal sources** – It includes personnel already on the payroll of an Organisation, presenting working force.

#### **Merits**

- Less expense
- Builds loyalty
- Ensures stability
- Sense of security
- Lower level to look forward to rising to higher levels
- Morale of the employees (Shows more Enthusiasm)

#### **Demerits**

- Promotion based on seniority, inefficient people may also be promoted this will ultimately ruin the prospects of the firm.
- There will not be any any creativity
- Lack of Technical skills

2. **External Sources** – Fresh flood should be injected so as to make it more dyanamic

- freshers from college
- unemployed with a wide range of skills and abilities
- retired experienced person

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### **Merits**

- required skills
- Do objective selections (since people are recruited from a large market, the best selection can be made without any distinctions of caste, colour, gender)
- May be economical in the long run (training is not required)

### **Demerits**

- Brain Drain – Experienced persons or raided or hunted by other concerns

### **Methods or Techniques of Recruitment**

1. **Direct Method** – campus recruitment
2. **Indirect Method** – use advertisements for recruitment in newspaper, journal, etc
  - Blind advertisement – without company name the advertisement been made
3. **Third Party method**
  - a. Private Employment agency
  - b. Public Employment agency
  - c. Head hunters (Professional Recruiting agencies)
  - d. Employee Referrals (Recommendations)
  - e. Trade Unions
  - f. Applicant at the gate
  - g. Voluntary Organisation
  - h. Computer data bank

### **Recruitment Policy 5 Elements**

1. Identification of Recruitment needs
2. Preferred sources of Recruitment
3. Criteria of selection and selection techniques
4. Cost of Recruitment
5. Role, if any assigned to the union in the formulation and implementation of recruitment and selection policies.

### **Selection**

- Process of discovering the most suitable and promising candidates to fill up the vacancies
- The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organizational requirements
- -ve action, after receiving the application select a particular person
- Recruitment is a method while selection is a procedure.
- Successive hurdles techniques

### **Steps in Selection**

- A process of rejecting the unwanted applicant
1. Receiving application
  2. Preliminary screening / Interview
  3. Application blank
  4. Psychological test

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5. Interview
  6. Reference check
  7. Physical Examination
  8. Final Interview

### **Interview**

The Interview is the most frequent method of selection. The Interview is a face to face conversation between an applicant and the employer. The purpose of Interview is to collect information on behaviour, attitudes, opinions, maturity, emotional stability, enthusiasm, confidence, response and other commercial behaviour.

### **Factors considered in Interview**

- Initiative
- Response
- Behaviour
- Work Experience
- Opinion
- Attitude
- Maturity
- Emotional Stability
- Enthusiasm
- Confidence

### **Types of Interview**

1. **Structured Interview** – is also called as patterned interview. The interviewers are trained in the process to be used. A list of questions on analysis of the job specification is prepared. The Interviewing process attempts to predict how candidates will perform in the work situations.
2. **Group or Discussion Interview** – The interviewees are given certain problems and are asked to reach a specific decision within a particular time limit. The applicants enter into group discussion, knowing that the interview is a test, but do not know which qualities are being measured or tested. The object is to see how individuals perform on a particular task or in a particular situations
3. **Panel or Board Interview** – Candidate is interviewed by a number of interviewers. Questions may be asked in turn or asked in random order as they arise on any topic.
4. **Stress Interview** – The Interview assumes a hostile role toward the applicant. He deliberately puts him on the defensive by trying to any, embarrass or frustrate him. The purpose is to find out how a candidate behaves in a stress situation whether he loses his temper, gets confused or frightened.

### **PLACEMENT**

The Placement of the individual on the new job and orienting him to the Organisation. Placement may be defined as the determination of the job to which an accepted candidate is to be assigned to that job. A proper placement of a worker reduces Employee turnover, absenteeism and accident rates and improve morale.

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After the selection, the employee is generally put on a probationary period ranging from one to two years after his employment to regularized, provided that during this period, his work has been found to be satisfactory.

- Orientation
- Training
- Executive Development

### **Orientation / Induction / Indoctrination**

Induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the Organisation

#### **The Main Objects of Orientation**

1. Clarifying the job
2. Developing realistic expectation about the Organisation
3. Reducing the amount of stress of new employee
4. Reducing startup costs
5. Strengthening the relationships between new employee, his superiors and peers

A formal orientation programme generally provides information regarding the following :

1. The history of the Organisation
2. Products and services of the Company
3. Organisation structure of the enterprise
4. Location of departments and Units
5. Personnel policies and practices
6. Employees facilities and services
7. Rules and Regulations
8. Grievance procedures
9. Safety Measures

## **TRAINING & DEVELOPMENT**

### **Training**

- Training is an organized process for increasing the knowledge and skills of people for definite purpose.

### **Training & Education**

- Training and Education is concerned with imparting specific skills for particular purpose



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- Purpose of Training is to bring about improvement in the Performance of work
  - Includes the learning of such skills as are required to do a specific job in a better way

### **Training & Development**

- Development involves the growth of the individual in all respects
- Training is job centered whereas development is career bound
- Aims at increasing the capacity for further tasks of greater difficulty
- Contents and techniques of employee training may differ from those of Management Development.

### **Training & Development Process**

1. Determining Training Needs
  - a. Organizational analysis – ( analyzing the present and future needs of the total Organization)
  - b. Operational analysis – (need of a specific group of jobs)
  - c. Individual analysis – (analyzing the need of the specific Employee)
2. Deciding the purpose of Training
3. Choosing Training method
4. Evaluating Training Effectiveness

### **Need for Training arises on the account of following reasons –**

1. New Environment
2. Lack of Trained Personnel
3. Advancement in Technology
4. Faculty Methods
5. Prevention of accidents
6. Career Development.

### **Need for Training**

1. To improve job related skills
2. To update Knowledge and skills
3. To prepare for higher responsibilities and task
4. To develop proper job related attitudes
5. To inject motivation and morale
6. To mould personnel to adapt and adjust to Organizational change

### **Advantages of Training**

1. Increased productivity
2. Job Satisfaction
3. Reduction in accidents
4. Better use of Resources
5. Reduced Supervision
6. Greater Flexibility
7. Management by Exception

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## 8. Stability and Growth

### **Essential of a good Training Programme**

A good training programme must satisfy the following conditions

1. Clear Purpose
2. Training Needs
3. Relevance
4. Individual Differences
5. Appropriate incentives
6. Management Support
7. Balance between theory and practice.

### **Training Procedure**

1. Preparing the Instructor
  - know the job or subject he is attempting to teach
  - Have the aptitude and ability to teach
  - Have willingness towards the profession
  - Pleasing Personality and capacity for leadership
  - Knowledge of teaching Principles and methods
2. Preparing the Trainee
3. Getting ready to teach
4. Presenting the Operation
5. Try out the Trainee's performance
6. Follow - up

### **Methods and Techniques of Training**

1. On the Job Training
  - a. Coaching
  - b. Understudy
  - c. Job Rotation
2. Vestibule Training – ( Dummy Machine set up )
3. Apprenticeship Training
4. Classroom Training

### **Executive Development / Management Development**

“Developing a manager is a progressive process in the same sense that educating a person is. Neither development nor Education should be thought of as something that can ever be completed, for there are no known limits to the degree to which one may be developed or educated”

### **Methods of Executive Development**

1. On the Job Method

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- a. Coaching and Understudy
  - b. Position rotation
  - c. Special projects and task forces
  - d. Committee assignments
  - e. Multiple Management

## **2. Off the Job Method**

- a. Special courses
- b. Conferences and Seminars
- c. Case study
- d. Selective Readings
- e. Brain Storming
- f. Simulation , role Playing and Management Games
- g. Sensitivity Training

## **DIRECTING**

Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed. It consist of the following elements:

1. issuing orders and instructions
2. continuing guidance and supervision of subordinates
3. motivating subordinates to work hard for meeting the expectation of management.
4. maintaining discipline and rewarding those who perform well
5. providing leadership to subordinates

## **CHARACTERISTICS**

1. Elements of Management
2. Continuing Function
3. Pervasive Function
4. Creative Function
5. Linking function
6. Management of Human Factor

## **SIGNIFICANCE OF DIRECTING**

1. Initiates action
2. Ensures coordination
3. Improves efficiency
4. Facilitates change
5. Assists stability and growth

## **PRINCIPLES**

1. Harmony of objectives
2. Maximum individual contribution
3. Unity of command
4. Appropriate techniques

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5. Direct Supervision
  6. Strategic use of Informal Organization
  7. Managerial Communication
  8. Effective Leadership
  9. Principle of Follow up through

### **TECHNIQUES OF DIRECTING**

1. Delegation
2. Supervision
3. Orders and instructions
4. Motivation
5. Leadership
6. Communication

### **SUPERVISION**

Supervision implies exert overseeing of people at work in order to ensure compliance with established plans and procedures. Every executive has to supervise the work of his subordinates. At the operating level, supervision is the most significant part of the manager job. The supervisor is in direct touch with the workers. He teaches proper work methods, maintains discipline and work standards and solve workers grievances or problems.

### **RESPONSIBILITIES OF A SUPERVISOR**

1. To schedule work so as to ensure an even and steady flow.
2. To assign work to different individuals
3. To provide proper working conditions
4. To issue orders and instructions
5. To prescribe work methods and procedures
6. To guide, train and inspire workers in the efficient performance of work.

### **QUALITIES OF A GOOD SUPERVISOR**

1. Knowledge of Work
2. Knowledge of the Organization
3. Communication Skill
4. Human Relation of Skill
5. Decisiveness

### **FUNCTIONS**

1. Planning the work
2. Organising the Resources
3. Staffing the units
4. Maintaining discipline
5. Enforcing safety measures
6. Handling Grievances

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7. Appraising performance

## **FUNDAMENTALS OF EFFECTIVE SUPERVISION**

1. Planning the work
2. Time management and delegation
3. Organising the resources
4. Staffing the Units
5. Training and development of Employees
6. Disciplining the Workers
7. Appraising the performance of Employees
8. Controlling the results
9. Labour relations and Grievance procedures

## **LEADERSHIP**

### **Definitions**

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

- Leaders act to help a group attain objectives through the maximum application of its capabilities.
- Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers.

### **SKILLS**

1. The ability to use power effectively and in a responsible manner
2. The ability to comprehend that human beings have different motivation forces at different times and in different situations
3. The ability to inspire
4. The ability to act in a manner that will develop a climate conducive to responding to and arousing motivations.
5. Fundamental understanding of People
6. ability to inspire followers to apply their full capabilities to a project

### **Leadership Styles**

1. **Autocratic Leader** –Commands and expects compliance, is dogmatic and positive, and leads by the ability to withhold or give rewards and punishment.
2. **Democratic or Participative** – consults with subordinates on proposed actions and decision and encourage participation from there
3. **Free-rein leader / laissez-faire Leadership** – uses his or her power very little, giving a high degree of Interdependence in their operations. Leaders depend largely on subordinates to set their own goals and the means of achieving them, and they see their role as one of aiding the operation of followers by furnishing them with

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information and acting primarily as a contact with the groups external Environment.

4. **Paternalistic Leadership** – Serves as the head of the family and treats his followers like his family members. He assumes a paternal or fatherly role to help, guide and protect the followers.

### **Functions**

1. Goal Determination
2. Motivating Followers
3. Direction
4. Coordination
5. Representation

### **Importance of Leadership**

1. Aid to authority
2. Motive power to group efforts
3. Basis for co operation
4. Integration of Formal and Informal Organization.

### **Theories**

1. **Trait Theory** – A Leader is a one who has got a enthusiastic look, courageous look – describes the external qualities of a person
2. **Behavioral Theory** – A person who intend to be leader, they do not have any qualities like Trait Theory
3. **Contingency Theory** –
  - a. **Fiedler Model**
  - b. **Likert Model**
  - c. **Managerial Grid Theory**

**Fiedler Model** - Leaders can be classified as two -

- a. Relationship Oriented
- b. Task Oriented

3 Situations been given to find the performance of two types of Leader-

- Leader member Relationships
- Task Structure
- Position Power

Employees under Relationship oriented Leader seems to achieve more performance than the other.

### **Likerts Model**

System 1 – Exploitive Autocratic Leader (oriented towards task alone)

System 2 – Benevolent Autocratic Leader (task oriented but has the quality of opposing if things are good)

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System 3 – Participative Leader (concerns the employees for a particular kind of work, though he concern decision will be taken only by him.

System 4 – Democratic Leader

### 3 Situations

1. Confidence / Trust in Employees
2. Subordinates feeling of freedom
3. Managers seeking involvement with Subordinates

Ratings of the Leaders by their employees at different situations

### **Managerial Grid Theory**

Proposed by Blake and Mounon

### 2 Kinds of Leader

1. Leaders concerned for People
2. Leader concerned for production / Task

### **Leader styles**

1. Task Manager Eg Defence , Concerned only on task
2. Team Builders – leaders high concern for production as well as people
3. Impoverished Style – Unfit for Leadership qualities, less concern for people as well as production
4. Country club Manager Eg – Trade union, high concern for people than production.

## **COMMUNICATION**

Communication is derived from the Latin word Communis which implies common. Communication is the interchange of thoughts and information.

### **ELEMENTS**

1. Sender
2. Message – The Subject matter of Communication
3. Encoding – act of translating the msg into words, pictures, symbols
4. Channel – Media used
5. Receiver –
6. Decoding – interprets the msg to draw meaning from it. He converts symbols, signs or pictures into meaning
7. Feedback –

### **Sound Communication provides the following advantage**

1. Improves Managerial Performance
2. Facilitates Leadership
3. Increases job Satisfaction
4. Reduces time and efforts

5. Enhances coordination
6. Help public relations

### **CHANNELS OF COMMUNICATION**

1. **Formal Communication** – follows the route formally laid down in the organization structure
  - a. **Downward Communication** – flow of communication from superior to subordinate
  - b. **Upward Communication** - flow of communication from subordinate to superior
  - c. **Horizontal Communication** – transmission of information among the positions at the same level of the Organization.
2. **Informal Communication or Grapevine** – Communication among people through informal contacts or relations.

#### **Distinguish between Downward and Upward Communication**

<b>Down ward</b>	<b>Upward</b>
From higher to lower levels	From lower to higher levels
Flow is downward	Flow is upward
Directive in nature	Non-directive
Purpose is to get plans implemented	Purpose is to provide feedback on results
Travels fast	Travels slowly
Orders, instructions, lectures, manuals, handbooks, etc are the main examples	Reports, suggestions, grievances, protests, surveys are the main examples.

#### **Distinction between Formal and Informal Communication**

<b>Formal Communication</b>	<b>Informal Communication</b>
Official Channel	Unofficial Channel
Deliberately Planned and Systematic	Unplanned and Spontaneous
Part of Organization Structure	Cuts across formal relationships
Oriented towards goals and task of the enterprises	Directed towards goals and need satisfaction of individuals
Impersonal	Personal and social
Stable and rigid	Flexible and instable
Slow and Structured	Fast and Unstructured

#### **Grapevine Merits and Demerits**

<b>Merits</b>	<b>Demerits</b>
Useful for developing group cohesiveness	Based on rumors
Serves as an emotional safety valve	Misleads People



Effective source of knowledge feelings and attitudes of Employees	May breed against particular executives
Supplements the channels of official communication	May lead to more talk and less work
Tells mgt when to be firm and when to yield	May distort official channels of communication

## **MEDIA OR METHODS OF COMMUNICATION**

1. Oral Communication
2. Written Communication
3. Gestural Communication

### **ORAL COMMUNICATION**

Oral Communication involves exchange of messages through spoken words. It may take place. i) by face- to face contacts ii) through mechanical devices like telephone.

#### **Merits**

Oral or Verbal communication offers the following advantages:

1. Economical
2. Personal touch
3. Speed
4. Flexibility
5. Quick response

#### **Demerits**

Oral Communication suffers from the following weaknesses-

1. Lack of record
2. Time Consuming
3. Lengthy message
4. Physical distance
5. Misunderstanding

### **WRITTEN COMMUNICATION**

Written Communication is transmitted through written words in the form of letter, circular, memos, bulletins, instruction cards, manuals, handbooks, reports, returns,

#### **Merits**

1. Effectiveness
2. Lengthy messages
3. Economical
4. Repetition
5. Permanent record
6. Better response

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### **Demerits**

1. Time Consuming
2. Expensive
3. Inflexibility
4. Little secrecy
5. Lack of personal touch
6. Misunderstanding

### **COMMUNICATION NETWORKS**

1. Circle Network
2. Chain Network
3. Wheel Network
4. All Channel Network

### **BARRIERS TO COMMUNICATION**

#### **a. Organisational Barriers**

1. Ambiguous policies, rules and procedures
2. Status patterns
3. Long chain of Command
4. Inadequate Facilities

#### **b. Mechanical Barriers**

1. Overloading
2. Semantic barriers
3. Noise

#### **c. Personal Barriers**

1. Lack of attention or interest
2. Failure to Communicate
3. Hasty Conclusion
4. Distrust of communicator
5. Improper state of mind.

### **MAKING COMMUNICATION EFFECTIVE**

1. Sound Organization Structure
2. Clear messages
3. Two-way Communication
4. Multiple Channels
5. Good Listening
6. Effective Control
7. Modern Instrument
8. Human Relations attitude

### **ESSENTIALS OF GOOD COMMUNICATION SYSTEM**

1. Clarity of messages

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2. Completeness of message
  3. Consistency of message
  4. proper timing
  5. Credibility
  6. Empathy
  7. Follow-up
  8. Economy

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# UNIT V

## Controlling

### Definition

- as the process of analyzing actual operations and seeing that actual performance is guided towards expected performance.
- Comparing operating results with plans and taking corrective action when results deviate from plans
- Def. Koontz and O'Donnell "The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished.

### Nature & Purpose of Control

1. Control is an essential function of management
2. Control is an ongoing process
3. Control is forward – working because past cannot be controlled
4. Control involves measurement
5. The essence of control is action
6. Control is an integrated system

### Elements of Control

1. Planning
2. Information Feedback
3. Delegation of Authority
4. Remedial action

### Control Process

1. Fixation of Standard
2. Measurement of Performance
3. Comparing performance with standards
4. Correction of Deviations

### Problems in the Control Process

- Magnitude of Change
- Time rate of Change
- Erroneous standard ( Mistakes in setting standard)
- Workers Resistance
- Communication Problems

### Characteristic of an ideal Control system

- Suitable
- Flexible

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- Economical
  - Simple
  - Objective
  - Prompt
  - Forward looking
  - Suggestive
  - Strategic point control
  - Motivational

## **Techniques of Managerial Control**

### **Traditional Techniques**

1. **Personal Observation** ( For Eg. A Factory manager goes around the plant, observes the performance of Employees and Machines)
2. **Good Organisation Structure**
3. **Unity of Plans**
4. **Statistical Control Reports**
5. **Budgetary control** – Statement expressed in financial terms
  - a. Master budget
  - b. Functional Budget - Sales budget, Production budget, Material budget, Labour budget, Cash budget, Administrative Overhead budget,
  - c. Capital & Revenue budget
  - d. Fixed and Flexible Budget
  - e. Zero base budgeting ( the budget proposals are considered from the ground up ( zero base) or from scratch

### **Objectives of Budgetary Control**

- a. Planning
- b. Coordination
- c. Control
- d. Motivation
- e. Efficiency

### **Merits**

- Optimum use of resources
  - Fixation of Responsibility
  - Effective coordination
  - Planned approach
6. **Profit & loss control**
  7. **External audit Control**
  8. **Overall Control criteria ( BEP Analysis)**
  9. **Return on Investment Control**
  10. **Management Audit**
    - Organisation Structure

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- Executive appraisal
  - Functioning of the management board
  - Soundness of Earning
  - Economic Functioning
  - Service to stock holders
  - R & D
  - Fiscal Policy
  - Production Efficiency

#### **11. Responsibility accounting**

- Cost centre
- Profit centre
- Investment centre

#### **Techniques of Management**

- MBO
- MBE
- MBP – Management by Participation implies the mental and emotional involvement of employees, share holders, investors, consumers and other stake holders in the decision making process.

#### **Forms**

1. Work Committee
2. Joint Management Councils
3. Worker Directors
4. Co-partnership

#### **Productivity & Operations Management**

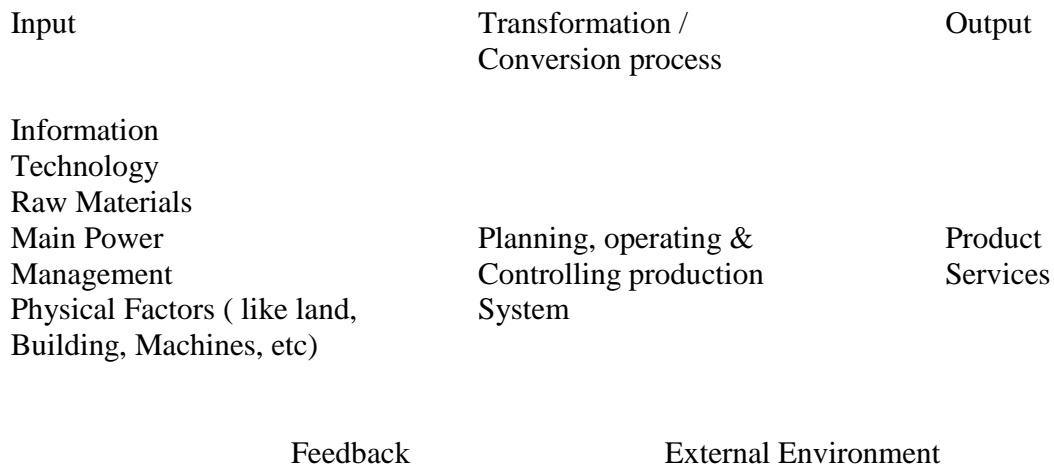
- Productivity which accounts for profitable operations of an enterprises and provides opportunities to an enterprise for remaining competitive and successful in an area of global competition
- Output – input ratio, within a given time period & with due consideration for quality of Performance

#### **Problems in Measuring Productivity of Knowledge workers**

- Measurement of the productivity of skill workers is easier but it becomes more difficult to measure the productivity of knowledge workers
- Greatest scope for increasing productivity lies in the work performed by knowledge workers Eg. Managers, Engineers, Cost accountant, etc.

#### **Operation Management**

- is the design and operation of systems. Working of Operation Management.



### **Developing Excellent Managers – The key to preventive control**

- a. Efforts required on the part of managers themselves
  - Willingness to learn
  - Planning for Innovation & Inventions
  - Tailoring Information
- b. Efforts required on the part of the Organisation
  - Acceleration of Managerial Development programmes
  - Measuring Managerial programmes and rewarding it
  - Need for management R & D
  - Need for Intellectual Leadership

### **Globalisation**

- Globalisation means the internationalization of trade. Particularly product transaction and the integrating of economic and capital markets throughout the world.
- The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.
- In globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.

### **Benefits of Globalisation**

- Improves efficiency
- Improves factor Income

- 
- Improves finance
  - Gains from Migrations

### **Drawbacks of Globalisation**

1. Globalisation increases the problems of unemployment
2. Domestic Industries finds difficulty in survival

Only group of people who participate in the process of Globalisation will be benefitted, this creates income inequality within the country

3. Control on domestic economy becomes more difficult
4. Developing country suffers from the problem of brain-drain

### **International Business**

- Involves commercial activities that cross national frontiers
- It is a process of Entrepreneur conducting business activities across national boundaries
- It consist of Exporting, Importing, Ilcensing, opening of Sales office
- The activities necessary for ascertaining the need and want of target consumer often takes place in more than one country. When an Entrepreneur executes his or her business model in more than one country International Business Occuring.

### **Entry into International Business**

The method of entering or engaging in International Business can be divided into three categories

#### **1. Exporting**

- Indirect Exporting
- Direct Exporting

#### **2. Non Equity arrangement** – Doing international business through an arrangement that does not involve any investments.

- Licensing - allowing someone else to use something of the company's in return for the payment of royalty
- Turn key Projects – A foreign Entrepreneur build a factory or other facility, training the workers, train the management and then turn it over to the local owners once the operation is completed, hence the name turn key operation
- Management Contracts – Contracting management techniques and skills. The management contracts allows the purchasing country to gain foreign expertise without giving ownership of its resources to a foreigner.

#### **3. Direct Foreign Investments** – preferred mode of ownership

- Minority Interest – Having less than 50% Ownership Poaition
- Joint Ventures – Merger of two companies