MANAGEMENT

- **Nature and functions of management:**

✓ importance of management,

✓ definition of management,

✓ management functions,

✓ development f management thought contribution of

1. F. W. Taylor,
2. Henri Fayol,
3. Elton Mayo,
4. system contingency approaches to management

Definitions of management

Harold koontz

“Management is an art of getting things done through and with people in formally organised groups”

Henry Fayol

“To manage is to forecast , to plan, to organize, to co-ordinate and to control “

Peter Drucker

"Management is a multipurpose organ that manages a business and manages manager , and manages worker and work"

F.W. Taylor

"Management is knowing exactly what you want men do, and then seeing that they do it in the best and cheapest way."

Management can be defined as

"Management is the process of achieving organisational goals by engaging in the four major functions of planning, organizing , leading and controlling by co-ordination of human, material, technological and financial resources."

MANAGEMENT FUNCTIONS

PLANNING
Setting goals and
deciding best method
to achieve them

1

CONTROLLING
Regulating activities
To reach goals

4

2

ORGANIZING
Allocating ad arranging
resources

3

LEADING
Influencing others
To work towards goals

PLANNING

Planning is most imp and basic acivity
Sets the required goals
Establishes the policies
standard methods
Develops program strategies
Schedules to achieve goals

- ORGANISING

Organisation focuses on allocating and arranging human – non human resources
It involves co ordinating
it concern with building , developing and maintaing of working relationships

- LEADING

Communicating with others

Providing Directions

Motivating people

- CONTROLLING

Actual performance meets the expected objectives /standards of the company

Managers need to monitor ongoing activity compare the results with standards and take the necessary corrective action.

MANAGEMENT PROCESS

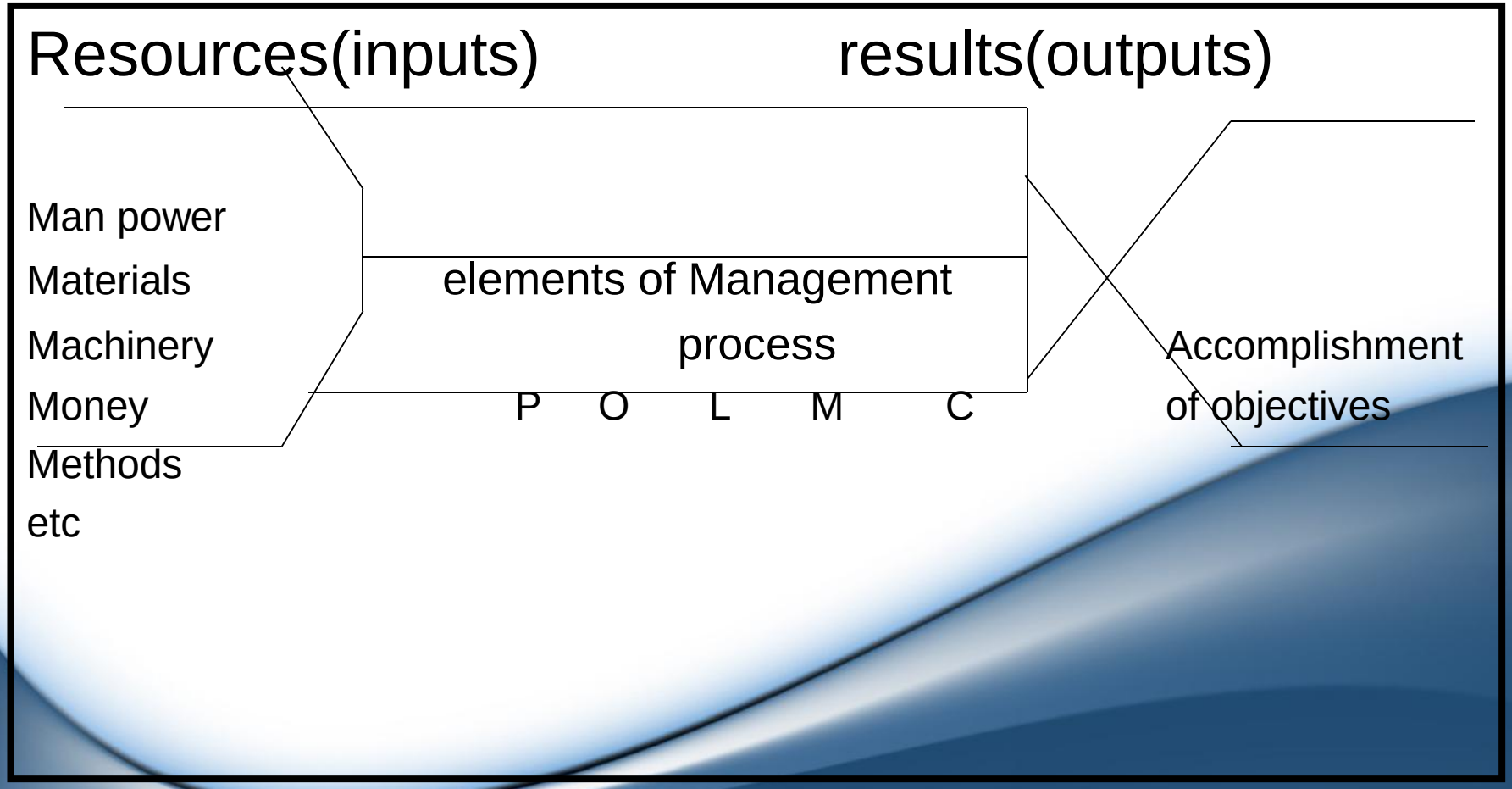
MANAGEMENT PROCESS

- The terms management is explained
  "MANAGEMENT IS WHAT MANGEMENT DOES"
- Management is described as a
  process which
  involves various element
  " mangement process
  is a continuous one"

process means a series of activities /operations undetaken / conducted for achieving a specific objectives

- Management process suggest functions to be performed by the managers

Management process



ELEMENTS /FUNCTIONS OF MANAGEMENT

PLANNING

Key to success, stability , prosperity

ORGANISING

resources allocation, departmentation , control, delegation of authourity

STAFFING

recruiting selection, appraisal remuneration.

DIRECTING/LEADING

guiding , information giving, instruction , communication

leading and motivations

CO-ORDINATING

co-ordinatin will not come automatically or on its own

- CONTROLLING

  Establishing standards of performance

  Measuring work in progress

  taking corrective actions

MOTIVATING

- COMMMUNICATION

  Written/oral information , guidance / instructions.

COMMUNICATION

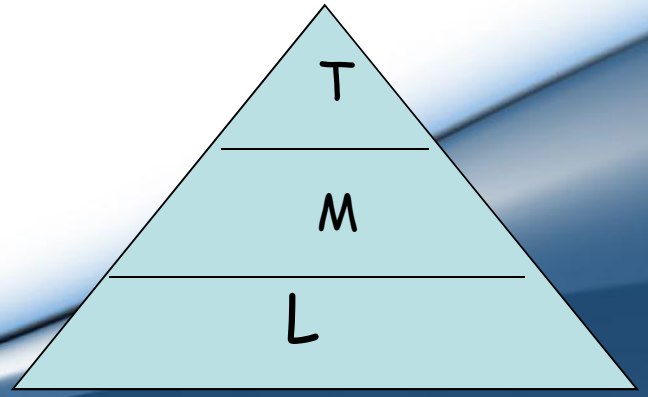
Involves continuing Process of telling Listening and understanding

CHARACTERISTICS /FEATURES OF MANAGEMENT

- Management is an activity/process
- Management is action based and achievement oriented
- Management involves achieving results through the efforts of others
- Management is a group activity
- Management has no substitute
- Management is all pervasive
- Management is an art , science as well as a profession

PERVASIVE – spreading widely through / present everywhere in something

- Management aims at co-ordination of activities
- Management follows certain principles { delegation of authority, unit of command de centralisation and etc }
- Management is innovative [techiniques are flexible, dynamic and innovative]
- Management has different operational levels



RESPONSIBILITIES TO MANAGEMENT TO SOCIETY

Social responsibilities of business /responsibilities of management towards society

1. Optimum utilization of resources
2. Cordial industrial relations
3. Sound leadership and motivation
4. Expansion, growth development
5. Satisfactions to consumers
6. Fair return to investors

7 Misc social responsibilities of management

To avoid pollution,

To provide financial support to social and cultural activities

To create empolyment opportunities

To use a part of project made for social good

To improve quality of products

DEVELOPMENT OF MANAGEMENT THOUGHT

-Management practice has started several thousand years back and has a long history

-This history is as old as human civilization

-Management thought is an evolutionary concept

- It has develop along with and in line with the growth of social , political , economic and scientific institutions

EVOLUTION OF MANAGEMENT THOUGHT

- Management thought is an evolutionary concept
- New theories and principles were suggested along with new development in the business field
- The new thoughts supplimented the existing throughts and theories
- Management thinkers and thinkers from other fields such as

  economic

  psychology

  sociology

  mathematics

  have also made their contribution in the evolution of management thought.

THIS EVOLUTION CAN BE 3 BROAD STAGES

- CLASSICAL THEORY OF MANAGEMENT
  (1900-1930)

  Bureaucracy
  Scientific management
  Administrative management
- NEO-CLASSICAL THEORY OF MANAGEMENT
  (1930-1960)

  Human relations
  Behavioural
- MODERN THEORY OF MANAGEMENT
  (1960- onwards)

  Quantitative approach
  systems approach
  contingency approach

Contributions of

- Scientific management theory- frederick winslow Taylor
- Administrative theory by Henry Fayol
- Human relations theory by Elton Mayo
- System contingency approach by Ludwig Von Bertalanffy

Contribution of F.W. Taylor

- F W Taylor is one of the founder of classical thought of management
- He suggested scientific approach to management called scientific management theory
- He is rightly treated as Father of scientific management
- From company Midvale steel he identified principles

- Taylor joined Midvale steel co in the USA as a worker and later on become a supervisor. During this period, he continued his studies and eventually completed his Master of engg . Subsequently, he joined Bethleham Steel co. At both these places, he undertook several experiments in order to improve the efficiency of people at work. On the basis of his experiment, he published book as scientific management

4 principles of scientific management

1. Scientifically study each part of workers task and **develop the best method** for performing the task , which replaces the old rule of thumb
2. Scientifically **select workers and train them** to perform the task by using the scientifically developed method
3. **Co-operate fully with workers** to ensure that they use the proper method
4. **Divide work and responsibility between the management and workers**, so that management is responsible for planning and workers responsible for executing the work accordingly

Positive view of scientific management by taylor science, not rule of thumb, co-operation, not individualism maximum output in place of restricted output. The development of each man to his greatest efficiency and prosperity.

FEATURES OF SCIENTIFIC MANAGEMENT

» Scientific task setting(standard task)

Work study (work measurement)

Time study (observing and recording time required for each element)

Motion study (while performing ovserving the remove useless/unwanted movements)

» Planning the task

What has to done

How it is to be done

Where the work shall be done

When the work shall be done

»Selection and training

Correct placement of workers is equally imp

»Standardization

Tools , equipment, materials , conditions of workers and speed of machinery

»Specialization

Functional foremanship

»Mental revolution

Co-operation from workers and management for the introduction of scientific management

Contribution made by F W Taylor to management thought is as expalained below

- Emphasis on rational thinking on the part of management
- Introduction of better method and techniques
- Emphasis on planning and control of production
- Importance of personnel and personnel management

CRITISIMS

BY EMPLOYERS

- Huge Investment
- Sudden change may disturb existing working arrangements (loss)
- Unsuitable to small units
- Benefits available after a long period

By workers and trade unions

- Heavy burden on workers (exploitation)
- Reduces initiative among workers (like machines)
- Possibility of unemployment (labour saving devices)
- Exploitation of workers (wages not increased)
- Possible adverse effects on workers unity

(efficient and inefficient categories)

Contribution of Henry Fayol

- Henry fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management.
- Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book " general and Industrial Management".

- Henry Fayol was a French mining engg who laterturned a leading industrialist and a successful manager. His life-long experience, in the filed of managing, was produced in the form of a monograph ‘administration Industrielle-et-generale in 1916 in french language.

FUNCTIONS OF MANAGEMENT ACCORDING TO FAYOL

- Planning
- Organizing
- Staffing
- Commanding
- Co- ordinating
- controlling

Fayol divided general and industrial management into 6 groups

- Technical activities (production , manufacture, adaptation)
- Commercial activities (buying, selling and exchange)
- Financial activities (search for and optimum use of capital)
- Security activities (protection of property and persons)
- Accounting activities (stocktaking, balance sheet, cost, statistics)
- Managerial activities (planning, orgnizing, command, co-ordination and control)

Fayol's Fourteen Principles of management

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction
6. Subordination of personal interest to general interest
7. Remuneration
8. Centralisation
9. Scalar chain
10. Order
11. Equity
12. Stability of tenure
13. Spirit of co-operation[union is strength]
14. Initiative

Contribution of Elton Mayo

- Elton Mayo(1880-1949) is recognized as the father of Human relations school
- He introduced Human relations approach to management thought.
- Mayo conducting the study at western electric's hawthorne plant(1927-1932) to evaluate the attitudes and psychological reactions of workers in on-the-job situations
- Mayo and his associates came to the following conclusions from their famous Hawthorne experiments :

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms
2. Non-economic rewards play a significant role in influencing the behaviour of the workers
3. Generally, the workers do not react as individuals, but as members of group..
4. Informal leaders play an important part in setting and enforcing the group norms

- Elton mayo wrote two books
- Human problems of an industrial civilization(1933)
- The social problems of an industry civilization(1949)
- Mayo is one leading management thinker
- Mayo is best known for hawthorne studies
- Today, as a result of the efforts of Mayo and his associates, the managers in different organisations recognise the workers performance is related to psychological, sociological and physical factors

- It proved that informal work groups and the opportunity to be heard and participate in decision making have in important impact on the productivity of the workers.
- The role of people (workers) is clearly suggested by mayo
- It is said that Mayo applied psychological approach to management for the first time

Some of the major findings of hawthorne studies are

- Employee’s behaviour is influenced by mental attitudes and emotions including prejudices.
- The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation.
- In managing and motivating employee groups , human and social motivation plays greater role than financial incentives

- Management must understand that a typical group behaviour
- When workers are given special attention by management , the productivity is likely to increase irrespective of actual changes in the working conditions.

Features of human relations approach

- A business organization is not merely a techno-economic system but also a social system and involves human element
- An individual employee is motivated not merely by economic incentives but also by non economic incentives , psychological and social interests, and needs and aspirations
- The informal groups in the organization are more important than individuals and play an important role in raising productivity

- In place of task centered leadership, the employee-centered, humanistic , democratic and participative style of leadership should be introduced as it is more effective and productive
- Employees are not necessarily inefficient or negative in their approach. They are capable of self-direction and control.
- Employees performance can be raised by meeting their social and psychological needs.

- Management needs social skills along with technical skills in order to create a feeling that they are a part and parcel of the organisation and not outsiders.
- Employees need respect and positive feeling from the mangement. Employees encourage to cooperate ad communicate freely their views and suggestions in the concerned areas of decision making.
- The mangement has to secure willing cooperation of employees(workers made happy and satisfied)

Limitations of human relations approach

- Too much importance to employees and social needs
- employee oriented approach to a limited extent(instead of organisation oriented)
- Limited importance to economic incentives

Systems approach to management thought

- A system is an organised entity
- (ie company or a business enterprise made up of parts connected and directed to some purpose.)
- Every system is interlinked with its sub-systems.
- The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result.
- The system serves as as the media through which the manager operates.

- An integrated system can be used purposefully for the conduct of production, marketing, distribution and other activities relating to business in an orderly manner.
- A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Almost anything can be viewed as a system.

- According management school,

  “an organization is looked upon as an artificial system . Its internal parts work together to achieve established goals and the external parts to achieve interaction with the environment including customers, the general public, suppliers and government.

Features of systems approach to management

- Open or closed systems
- Interdependent parts [eg an organisatinis also a system which consistes of four interdependent parts ie task , structure people and techology]
- Consideration of whole system
- Information , energy and material [there are the basic inputs that enter the processor of the system

Information (technology), energy (motive power), and materials to be transformed into goods

- Defined boundaries [the system is inside the boundary, the environment is outside the boundary]
- Synergy: output of a system is always morethan the combined output of its parts. This is called synergy. Synergy means when separate departments within an organisatin cooperate and interact, , they become more productive than if they had acted in isolation.

- Feedback mechanism

- Multidisciplinary approach

  [systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, sociology, ecology, economics , mathematics, statistics, or and systems analysis etc]

Merits of systems approach

- systems approach to management is comparatively new to the management thought.
- Refreshingly new thinking on organization and management.
- It stresses that mangers should avoid analysing problems in isolation (separation/segregation) but should develop the skills for integrated thinking on management problems

- systems approach provides a strong conceptual framework for meaningful analysis and understanding of organizations. And it provides clues to the complex(difficult) behaviour of organisation.
- The systems theory suggests to practising manager to study/ anaylyse a particular element by taking into consideration its interacting consequences with other elements.
- The systems approach rightly points out the role of synergy in management. Each subsystem derives strenght by its association and inteation with other sub-systems .
- Treatment of organisation as an open system

Limitations of systems approach

- too abstract and vague it is difficult to apply it to practical problems directly and easily
- The systems theory approach fails to provide specific tools and techniques for the practicing executives /managers
- It does not recognize differences in systems. [it fails to clearly identify the nature of interactions and interdependencies between an organizations and its external environment. It also fails to offer a unified body of knowledge.

Contingency approach/situational approach to management

- Contributed by TOM BURNS AND G W STALKER, JAMES THOMPSON AND OTHERS
- The systems approach as well as contingency appraoch provide one integrated approach to management
- The contingency approach is applicable to leadership as to business management
- The contingency approach is similar to known leadership theory called situational leadership theory.
- The situational management appraoch is relatively a new appraoch to management and is an extension of systems approach.

- The basic theme of contingency approach is that organisations have to deal with different situations in different ways. There is no single best way of managing applicable to all situations. In order to be effective the internal functioning of the organisation must be consistent with the needs and demands of the external environment. [internal organisation should have the capacity to face any type of external situation with confidence.

Features of the contingency /situational approach

- Management is entirely situational

  [the management has to use the measures/techniques as per the sitation from time to time]
- Management should match its approach as per the requirement of the situations. [policies and pratices used should be suitable to environmental changes]

- The success of management depends on its ability to cope up with its environment

- According to contingency approach , management principles and concepts of different schools have no universal/general applicability under all situations. This means these schools have not suggested one best method of doing things under all situations and at all times . The contingency approach has provided a solution to this situation.

- As per the contingency approach the task of mangers is to try to identify which technique or method will be most suitable for achieving the mangement objectives under the available situations
- Contingency approach is applicable to different areas of organisation and management. It is an attempt to integrate various viewpoints.

Merits of contingency appraoch

- Contingency approach is pragmatic (realistic/practical)and open minded.
- The importance is given to the judgement of the situation and not the use of specific principles
- The contingency appraoch has a wide ranging applicability and practical utility in organization and management.
- The contingency approach focuses attention on situational factors that affect the management strategy.

Limitations of contingency approach

- It is argued that the contingency appraoch lacks a theoretical base
- A manager is supposed to think through all possible alternatives as he has no dried principles to act apon. This brings the need of more qualities and skills on the part of managers.
- It is observed that different theories developed earlier are not applicable to all real world situations
- Contingency approach do not give special importance to any specific theory it suggests that there is no one best way to management
- It is viewed as incomplete , vague and unsuitable to all organisations and situations

Questions

1. Discuss the functions and nature of management
2. Explain F.W. Taylor's scheme of scientific management. How relevant is it to industry now?
3. Discuss contibution of H . Fayol to the development of management thought
4. Write a short note on :

   F W Taylor

   Henery Fayol

   Elton Mayo

   Systems approach

   Situational approach/contingency approach

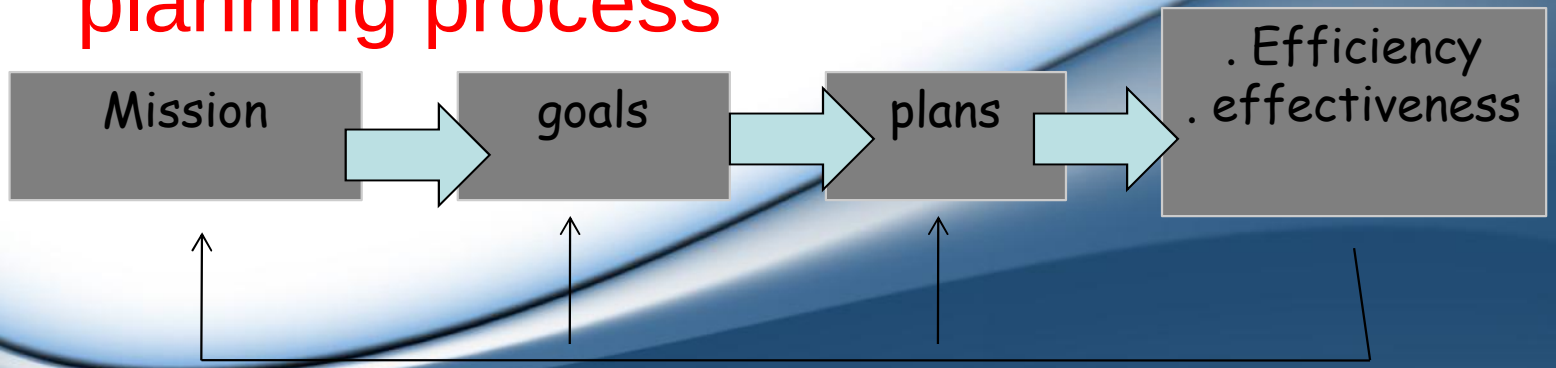
planning,

- nature of planning,
- importance,
- forms,
- types of planning,
- steps in planning,
- making planning effective,
- planning skills,
- strategic planning in the Indian industry

Planning process

- A plan is the means devised for attempting to reach a goal
- Planning is the management function that involves setting goals, formulating missions and objectives then deciding how best to achieve them

planning process



- Mission: is organization purpose or fundamental reason for existence
- Basic, unique purpose and scope of operations of organisation
- Goal: is a future target or end result than an organization wishes to achieve
- Plan : devised for attempting to reach a goal. Short(upto 1 yr), intermediate (1yr to 5 yrs), long range (above 5 yrs)

planning

Meaning

- Planning is the beginning of the process of management
- Planning is an intellectual process which requires a manager to think before acting. It is thinking in advance. It is by planning that managers of organizations decide what is to be done, when it is to be done , how it is to be done, and who is do it. Decision making is thus an integral pat of planning. It is defined as the process of choosing among alternatives

Definition of planning:

- According to Koontz and O'Donnell, " planning is deciding in advance what to do, how to doit, when to do it, and who is to do it. Planning bridges the gap between where we are and where we want to go. It makes it possible for things to occur which would not otherwise happen."

- According to Philip Kotler " planning is deciding in the present what to do in the future . It is the process whereby companies reconcile their resources with their objectives and opportunities."

Nature/ features / characteristics of planning

- Primary management function
- Pervasive function
- Intellectual and realistic process
- Objectives-oriented
- Continuous function
- Flexibility
- Raises accuracy, economy and efficiency
- Link between past, present and future
- Brings unity of purpose and action
- Integrated activity
- Future-oriented

Need of planning

- Planning needed for survival and growth of business
- Planning is needed in order to face new problems/difficulties developed
- Needed in order to face challenges created by changing environmental factors/forces
- Needed as it acts as pre-requisite to good management
- Needed in order to achieve the objectives.

Importance of planning
function in business management

- Minimizes risk and uncertainty
- Leads to success
- Focuses attention on the organization's Goals
- Facilitates control
- Trains executives

Forms of Planning

Strategic planning:

- Decides the major goals and policies of allocation of resources to achieve these goals
- Done at higher level of management. Middle managers sometimes are not even aware that strategic planning is being considered
- It is long term- like technology, political environment etc and is more uncertain
- It is less detailed because it is not involved with the day-to-day operations of the organization

Tactical planning

- It decides the detailed use of resources for achieving each goal
- It is done at lower levels of management
- It is short-term
- It is generally based on the past performances of the organisation and is less uncertain
- It is more detailed because it is involved with the day to day operation of the organisation

Strategic planning	Tactical planning
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It is long-term	It is short-term
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It is less detailed because it is not involved with the day-to-day operations of the organization	It is more detailed because it is involved with the day-to-day operations of the organization

Types of Plans

- Plans are arranged in a hierarchy within the organization and at the top is objectives
- Objectives: are broad ends of the organisation which are achieved by means of strategies.
- Strategies : A **strategy** is a plan of action designed to achieve a specific goal. Strategy is all about gaining (or being prepared to gain) a position of advantage over best exploiting emerging possibilities. As there is always an element of uncertainty about future, strategy is more about a set of options ("strategic choices") than a fixed plan

Types of Plans

objectives

strategies

for non-repetitive activities

Single-use plans

(programmes and budgets)

for repetitive activities

Standing Plans

(Policies, procedures, methods and rules)

Objectives:

- Are goals or aims which the management wishes the organization to achieve.
- Are end points towards which all business activities like organizing, staffing, directing and controlling are directed.
- Characteristics of objectives

- Objectives are multiple in number
- Objectives are either tangible or intangible
- Objectives have a priority
- Objectives are generally arranged in a hierarchy
- Objectives sometimes clash with each other

Requirements of sound objectives

- Objectives must be both clear and acceptable
- Objectives must support one another
- Objectives must be precise and measurable
- Objectives should always remain valid

Advantages of objectives

- They provide basis for planning and they develop policies, budgets and procedures
- They act as motivators for individuals and depts.
- They eliminate haphazard action –result in undesirable consequences
- Facilitate coordinated behavior of various groups which otherwise may pull in different directions

- They function as basis for managerial control by serving as standards
- They facilitate better management of the enterprise by providing a basis for leading, guiding etc
- They lessen misunderstanding and conflict and facilitate communication among people minimizing disputes
- They provide legitimacy (legality)to organization’s activities

Strategies

- A **strategy** is a plan of action designed to achieve a specific goal. Strategy is all about gaining a position of advantage over best exploiting emerging possibilities
- Two important activities involved in strategy formulation are
  - Environmental appraisal
  - Corporate appraisal
- Environmental appraisal : is a analysis of the relevant environment results in the identification of threats and opportunities.

- Environment of a company as the pattern of all external influences that affect its life and development
  - Political and legal factors:
  - Economic factors
  - Competitive factors
  - Social and cultural factors
- Corporate appraisal : this involves an analysis of the company's strengths and weaknesses
- Co. strengths: outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient cust service, personal relationship with cust, efficient transportation and logistics, effective sales promotions high turnover of inventories or capital,
- Weaknes: ???????

Standing plan: policies, procedures and rules;

- a policy is general guideline for decision making. It sets boundaries around decisions, including those that can be made .
- Deal with “how to do” the work, they do not dictate terms to subordinates.
- They only provide framework within which decisions must be made by
- Objectives are end points of planning while policies channelize decisions to these ends or policies lead to objectives in the way a series of alternate highway routes lead to a city

Advantages of policies

- Ensure uniformity of action
- Speed up decisions at lower levels

- Make it easier for the superior to delegate more and more authority to his subordinates
- Give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained
- Types of policies:
  - Classification on the basis of sources
    [originated policies, appealed policies, implied policies, externally imposed policies]
  - Classification on the basis of functions [depts wise]
  - Classification on the basis of organizational levels
    [major departmental to minor policies]

Procedures:

- Are carried out by means of more detailed guidelines called procedures
- A detailed set of instructions for performing a sequence f actions involved in doing a certain piece of work
- The same steps are followed each time that activity is performed.
- Difference between policy and procedure

policies	procedures
General guides to think and action of people	General guides to action only lower levels
Help in fulfilling the objectives of the enterprise	Show us the way to implement policies
Generally broad and allow some latitude in decision making	Are specific and do not allow latitude
Often established without any study or analysis	Are always established after thorough study and analysis of work

Advantages and limitations of procedures

Check it up

Methods

- A method is prescribed way in which one step of a procedure is to be performed.
- A specific tech to be used in screening the applications/method
- Help in increasing the effectiveness and usefulness of the procedure

Rules

- Are detailed and recorded instructions that a specific action must or must not be performed in a given situation
- A rule is different from a policy, procedure or method
- Not policy because it does not vive guide to thinking and does not leave any discretion to the party involved
- Not procedure –there is no time sequence to a particular action
- Not a method-it is not concerned with any one particular step of a procedure

Single-use plans

Programmes-precise plans or steps in proper sequences

Project -a single step in a programme is set up as project

Schedule - specifies the time when each of series of actions should take place

Budgets - are very useful for an enterprise, expressed in numerical terms compares actual results with planned ones

Steps in planning

1. Classifying the problems
2. Determining the objectives
3. Collecting complete information and data
4. Analyzing and classifying the information
5. Establishing planning premises(certain assumptions about the future)

Internal and external premises(interanal: sales forecast, plicies and prpogrammes , capital investmentsin plant and equipment etc external : business & economic environment , tech chanes , government policies etc)

Tangible and intangible premises tangible : population growth, industry demand , capital and resources invested , intangible: political stability , sociological factors, business and economic environment, attitudes, philosophies and behavior of the owners of the organization

Controllable and non-controllable remises: controllable: advertising policy, competency of mgt members, skill of labor, non-controllable: strikes, wars, natural calmatives emergency et

6.Deciding the planning period

- lead time in development and commercialisation of a new product
- time required to recover capital investments or the pay-back period
- length of commitments already made

7. Determining alternative plans

8. Evaluating and selecting a course of action

9. Selecting operating plan and preparing derivative plans

10. Arranging timing and sequence of operations

11. Securing participation of employees

12. Measuring and controlling the progress

13. Follow-up of the proposed plan

Essentials of good business plan/planning

- Simplicity
- Clear objectives
- Suitability
- Flexibility
- Continuity
- Unity of purpose and direction
- Comprehensive and complete
- full utilization of resources and opportunities
- Beneficial to all concerned
- realistic and acceptable

Merits of planning

- Facilitates quick achievement of objectives
- Brings unity of purpose and direction
- Ensures full utilization of resources
- Avoids inconsistency in efforts
- Raises competitive capacity
- Promotes managerial efficiency
- Avoids hasty decisions and actions
- Ensures effective control on the organization

- Acts as an insurance against future uncertainties
- Facilitates other managerial functions
- Improves motivation
- Miscellaneous advantages

Limitations of planning

- Planning is an expensive and time-consuming process
- Ineffective due to environmental changes
- Dangers of unreliable data
- Encroachment (violation)on individual freedom and initiative delays actions
- Unsuitable to small firms
- Limited practical value

- No guarantee of expected results
- Generates frustration
- Involves huge paper work
- Danger of overdoing

Making planning effective:

- Coordination
- Communication
- Participation
- Proper climate

Planning skills

- Ability to think ahead
- Ability to define company objectives
- Ability to forecast future environmental trends
- Ability to frame correct strategies
- Ability to monitor the implementation of strategies

Strategic planning in the Indian industry?

questions

- Discuss nature and purpose of planning? Briefly explain the components of planning
- What is planning? What are the steps involved in it?
- “Planning is the essence of management, it is a management function” elucidate

Decision Making

- Meaning
- types
- steps in rational decision-making
- environment of decision-making
- common difficulties in decision-making

Decision Making

- Meaning:
- it is primary function of management
- It is the key part of manager's activities.
- It is defined as " a course of action which is consciously chosen from among a set of alternatives to achieve a desired result.
- It represents a well-balanced judgment and a commitment to action
- The first important function of management is to take decisions on problems and situations.

- It is a continuous process.
- It is indispensable component of the management process itself
- It is a process by which a decision(course of action) is taken.

definition

- Peter Drucker ”whatever a manager does, he does through decision-making”
- R C Davis “management is a decision-making process” –decision making is an intellectual process which involves selection of one course of action out of many alternatives.
- It will be followed by second function of management called planning

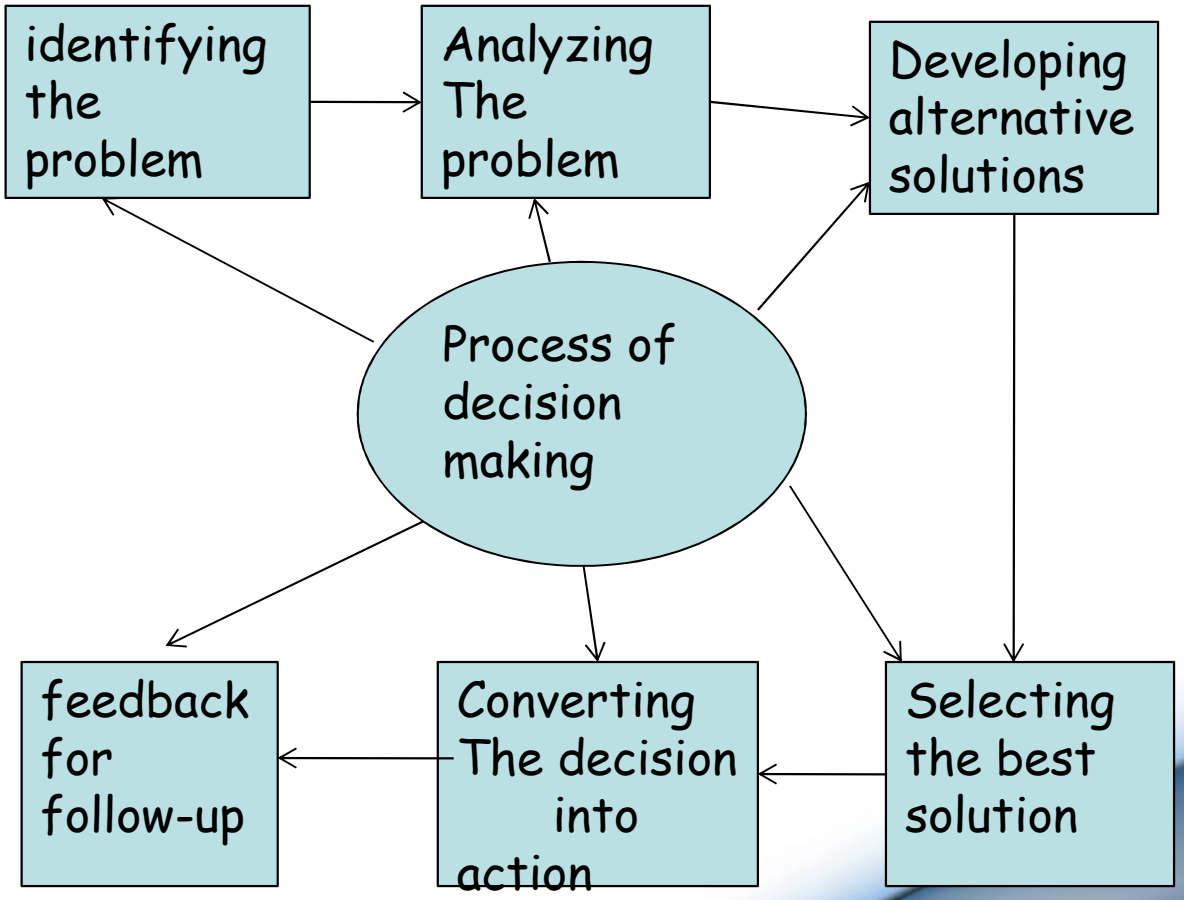
- “ the action of carrying out or carrying into effect”
- According Trewatha and newport “ decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at solution for a given problem

Features/
characteristics of decision making

- Decision-making implies choice (decision-making is fundamentally choosing between the alternatives)
- Continuous activity / process
- Mental/intellectual activity
- Based on reliable information/feedback
- Goal oriented process

Importance/ advantages of decision making

- Decision making is the primary function of management
- Decision making facilitates the entire management process
- Decision-making is a continuous managerial function
- Decision-making is essential to face new problems and challenges
- Decision-making is a delicate and responsible job



Decision-making process

Types of Decisions:

- Decisions can classified into:

  - Programmed and non-programmed decisions
  - Major and minor decisions
  - Routine and strategic decisions
  - Individual and group decisions
  - Simple and complex decisions

Programmed and non-programmed decisions

programmed	Non-progrmmed
Are those that are made in accordance with some policy, rule or procedure so that they do not have to be handled de novo (*de novo* is a Latin expression meaning "from the beginning," " afresh," "anew," "beginning again.")each time they occur	If a problem has not arisen before or if there is no cut and dry method for handling it or if it deserves a custom-tailored treatments , it will be handled by non-programmed decision.
Are repetitive, routine and are obviously the easiest for managers to make	Are novel (new and not resembling something formerly known)Non-repetitive
Eg: pricing ordinary cust orders, determining salary payment to employees	Eg: how to allocate an organization's resources, what to do about a failing product line, how community relations should be improved

Major and minor decisions

- Some decisions are considerably more important than others. It will be measure the relative significance of a decision in four ways:

1. Degree of futurity of decision: for how long into the future does a decision commit the company?.eg: major decision :A decision which has a long-range impact, like replacement of men by machinery or diversification of the existing product lines must be rated as a very. Minor decision: decision to store raw material

2. Impact of the decision on other functional areas: if a decision affects only one function, it is a minor decision. Eg: decision to shift from bound ledger to loose leaf ledger . Decision to change the basis of overhead allocation in preparing department profit and loss account affects all other functional areas

3. Qualitative factors that enter the decision: a decision which involves certain subjective factors is an important decision these subjective factors include basic principles of conduct, ethical values social and political beliefs etc eg: the decision to pay small rs. 25 /- to excise inspector as illegal gratification

4. Recurrence of decisions: Decisions which are rare and have no precedents as guides may be regarded as major decisions and may have to be made at high level. Decisions which recur very often becomes minor

Routine and strategic decisions

- Routine, tactical or housekeeping decisions are those which are supportive of, rather than central to, the company's operations. Their primary purpose is to achieve as high a degree of efficiency as possible in the company's ongoing activities. Eg: provision for air conditioning, better lighting , parking facilities, cafeteria service, etc are routine. Strtegic decisions require lengthy deliberation and large funds and are taken by managers at higher levels eg: lowering the price of the product, changing the product line, installation of automatic machine

Individual and group decisions:

- Individual decisions are where the problem is of a routine nature, there is definite procedures to deal with the problem already exit. Group decisions: important and strategic decisions which may result into some change in the organization
- Advantages of group decisions:
  - Increased acceptance by those affected
  - Easier coordination
  - Easier communication
  - More information processed
- Dis Advantages of group decisions:
  - Group decisions take longer
  - Group can be indecisive
  - Groups can compromise
  - Groups can be dominated
  - groups may have prior commitment to a particular solution

- Two approaches to group decision making

Nominal group technique:

- members first silently and independently generate their ideas on a problem in writing .
- They then present their ideas (one by one) to the group without discussion. The ideas are written on board
- The recorded ideas are then discussed for the purpose of clarification and evaluation
- Finally , each member silently gives his independent rating about various ideas through a system of voting. The group decision is the pooled otucome of individual votes

Delphi technique :

- Group consists of persons who are physically dispersed and are far to one another
- They are asked to send their opinion on a topic through mail (questionnaire send)
- Responses then summarized into a feedback report And sent back to them along with second questionnaire which is designed to probe more deeply into ideas in response to the first questionnaire
- Final report will developed on the basis of second replies.

Simple and complex decisions

- When variables to be considered for solving a problem are few, the decision is simple. When they are many , the decision is complex. If combining of these two types of decisions with the low or high certainty of their outcomes. So we get four types of decisions
    - Mechanistic or routine decisions
    - Judgmental decisions
    - Analytical decisions
    - Adaptive decisions

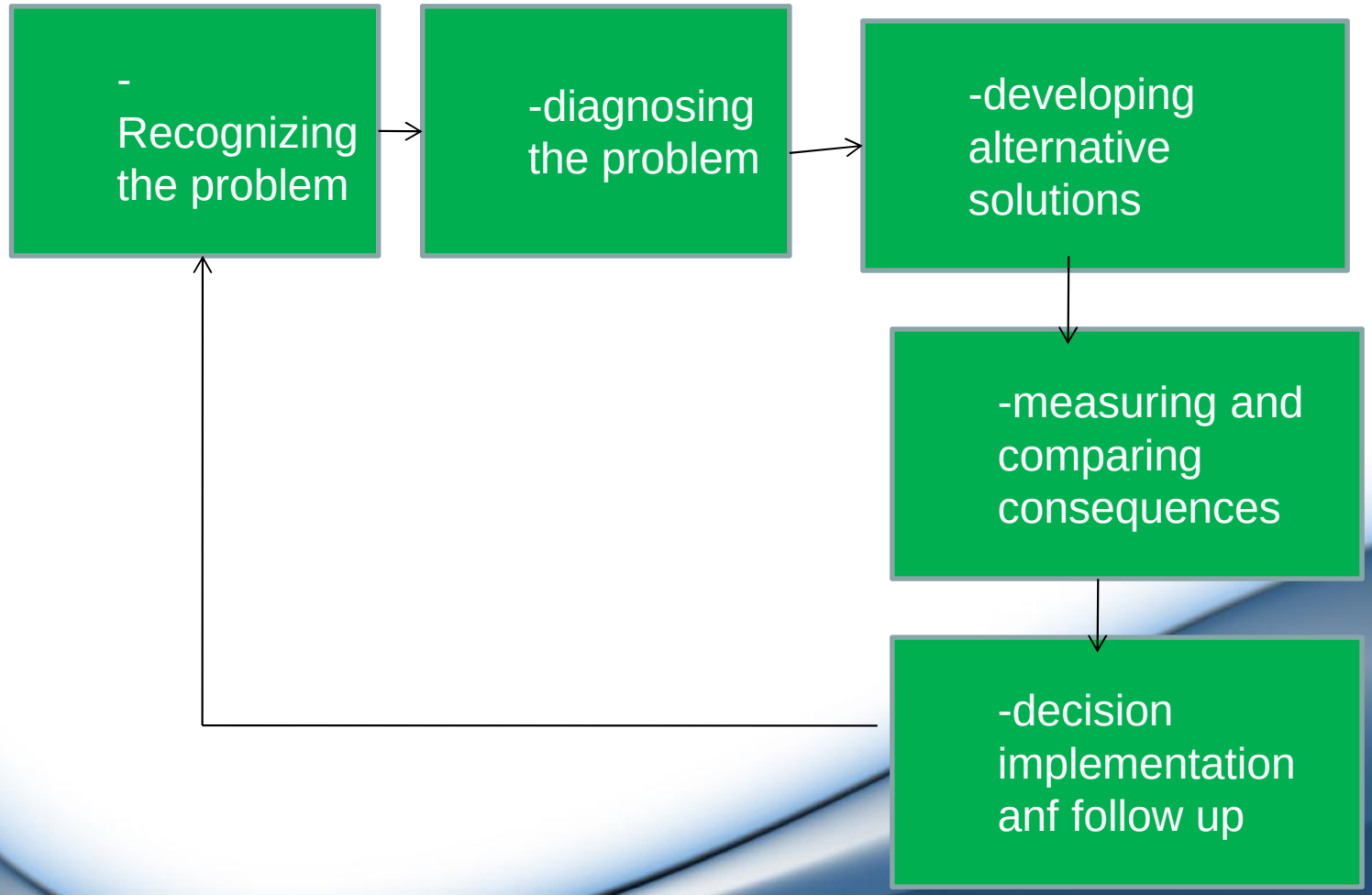
- Mechanistic or routine decisions: decisions in which the problem is simple and the outcome has a high degree of certainty (confidence /sureness). Mangers often develop standard operating procedures to take these decisions
- Judgmental decisions : decisions in which the problem is simple but the outcome has a low degree of certainty. Many decisions in the area of marketing investment personnel are of this type
- Analytical decisions : decisions in which the problem is complex but the outcome has a high degree of certainty. Many decisions in the area of production are of this type eg: linear prg, network analysis , queuing theory
- Adaptive decisions : decisions in which the problem is complex and outcome has a low degree of certainty. Changes in corporate plans and policies to meet changes in environment and technology are decisions of this type

Steps in Rational Decision-making

What is rational?

- A decision is rational if appropriate means are chosen to reach desired ends.
- Six steps of rational decision-making:
  - Recognizing the problem
  - Deciding priorities among problems
  - Diagnosing the problem
  - Developing alternative solutions or course of action
  - Measuring and comparing the consequences of alternative solutions
  - Converting the decision into effective action and follow-up of action

Flow diagram of the rational decision-making process



Rationality in decision-making

(models of decision-making behavior)

3 models of decision making behavior

- ✓ economic man model / econologic model
- ✓ Administratative man model /bounded rationality model
- ✓ Social man model

economic man model / econologic model:

- This is earliest model of man developed by the classical economists
- Believed that man is completely rational and selects alternative for advantages in a planned, orderly and logical manner

- This is fully rational decision-making is an infrequent decision mode except when it relates to the performance of technical tasks.

Administratative man model /bounded rationality model

- A more realistic description of decision-making behavior is based on the administrative
- Which has been developed by Herbert Simon, uses limited rationality in his decisions because his information-processing skills are limited
- Simon’s model has 8 steps in the decision-making process

Social man model:

- At the opposite extreme from the economic man is the completely irrational social man model developed by classical psychologists.
- Man being bundle of feelings, emotions and instincts is guided by his unconscious desires.
- He is also subject to social pressures and influences. In this case man cannot capable of making rational mgt decisions.
- Strong social pressures can similarly force managers also to choose obviously wrong alternatives.
- In all such cases, their decisions cannot be termed as organizationally rational, though they may be personally rational , being oriented to their personal goals

Why rational and right decisions are always not possible?

- All decisions should be rational as such decisions facilitate expansion of business and give more profit, goodwill and prosperity to a business unit
- All decisions should be fair and rational.
- Rational/scientific/balanced approach is essential while making decisions.

- Rationality in decision-making is possible through human brain which has the ability to learn, think, analyse and relate complex facts and variables while arriving at a decision
- Rational decisions may not be possible when the approach of the decision-maker is casual and superficial
- According to Herbert simon, “human beings are not always rational in the decisional process.”

Rational and right decisions may not be possible because of the following possible reasons

- Inadequate information, data and knowledge
- Uncertain environment
- Limited capacity of decision-maker
- Personal element in decision-making
- A decision cannot be fully independent

Environment of decision-making

Decision maker may not have complete knowledge about decision alternatives or outcomes of a chosen alternative ie…. Problem may be highly complex and uncertain. These conditions of knowledge are often referred to as the environment of decision-making. Are 3 types

- Certainty
- Risk
- Uncertainty

- Certainty:

Decision maker can specify the consequences of a particular decision/act . Many managerial decisions may be made conditions approaching certainty e.g.: under certainty no. of possible alternatives increases, finding the one with the highest pay off becomes more and more difficult

- Risk :

decision –making under conditions of risk, the consequences of a particular decision cannot be specified with certainty but can be specified with known probability values. The value of probability associated with the event is a measure of the likelihood of the occurrence of that event

- Uncertainty

Decision maker does not know the probabilities associated with possible outcomes, though he has been able to identify the possible outcomes and their related pay offs. Probabilities are unknown under conditions of uncertainty,

Common difficulties in decision-making

- Incomplete information
- Un supporting environment
- Non-acceptance by subordinates
- Ineffective communication
- Incorrect timing

questions

- What is decision making? Describe steps involved in scientific process of decision making
- What is rational decision making? Why rational and right decisions are always not possible?

Organization & authority delegation and decentralization

- meaning,
- process of organizing,
- span of management,
- principles of organizing,
- organization structure,
- authority, responsibility.
- Role and Importance of Control Process,
- Budgeting and Variance Analysis .

- Meaning
  - Characteristics of an organization
  - Typology of organizations
- Process of organizing
  - Consideration of objectives
  - Grouping of activities into departments
  - Deciding which departments will be key departments
  - Determining levels at which various types of decisions are to be made
  - Determining the span of management
  - setting up a coordination mechanism

Meaning of oraganization /organizing

- Organization is the one of important element of the management process. It is next to planning
- In the management , organization is both the process as well as the end-product of that process which is referred to as organization structure
- Structure acts as the foundation on which the whole super-structure of management is built. (sound organization structure is essential for the conduct of business activities in an efficient manner)

- The success of management process will be determined by the soundness of the organization structure
- The term “organization” is derived from the word “organism”
- In simple words organizing means arranging the ways and means for the execution of business plan
- Every management has to establish its own organization structure for efficient conduct of business activities

ORGANISATION INVOLVES THE FOLLOWING ASPECTS

1. Identify the activities required to achieve organizational objectives
2. Grouping up of these activities into workable units (departmentation)
3. Assigning duties and responsibilities to subordinates in order to achieve the tasks assigned
4. Delegating authority necessary and useful for the accomplishment of tasks assigned
5. Establishing superior-subordinate relationship
6. Providing a system of co-ordination for integrating the activities of individuals and departments.

Definitions of organization

- E.F.L. Brech

"A system of structural inter-personal relationships. It is , individuals are differentiated in terms of authority, status and roles with the result that personal interaction is prescribed , and anticipated reactions between individuals tend to occur while ambiguity and spontaneity are decreased"

- Louis A. Allen

"the process of identification and grouping the work to the performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives"

NEEDS/ IMPORTANCE OF ORGANISATION

- Ensures optimum utilization of human resources
- Facilitates coordination
- Facilitates division of work
- Ensures growth, expansion and diversification
- Stimulates creativity
- Facilitates administration
- Determines optimum use of technology
- Determines individual responsibility

Characteristics of an organization

- A purpose, goals
- A clear concept of the major duties or activities required to achieve the purpose
- Classification of activities into jobs
- Establishment of relationships between these jobs

Typology of organizations

Every organization has certain unique combination of characteristics which distinguish it from all other organizations . This makes classification of organizations into specific type difficult. Organizations into 4 categories who benefits are:

- Organizations which benefit their owners: all business organizations fall this category
- Organizations which benefit their members. A wide class of unions, cooperatives and clubs come under this category
- Organizations which benefit their clients. Eg. Insurance co. , private schools, etc
- Organizations which benefits the whole society (common wealth organizations) such govt. departments

Process of organizing

- The manager differentiates and integrates the activities of his organization
  - Differentiates is the process of departmentalization or segmentation of activates on the basis of some homogeneity
  - Integration is the process of achieving unity of effort among the various departments

- The six step procedure of organization:

- Process of organizing
  - Consideration of objectives
  - Grouping of activities into departments
  - Deciding which departments will be key departments
  - Determining levels at which various types of decisions are to be made
  - Determining the span of management
  - Setting up a coordination mechanism
  - Consideration of objectives : the first step in organizing is to know the objectives of the enterprise
  - Grouping of activities into departments : after the consideration of objectives, to identify the activities necessary to achieve them and to group the closely related and similar activities into dept/sections

- Deciding which departments will be key departments : key dept are those which are rendering key activities, like essential for fulfillment of goals. Eg advertisement
- Determining levels at which various types of decisions are to be made : after deciding the relative importance of various dept, the levels at which various major and minor decisions are to be made must be determined. Deciding how much decentralization of authority and responsibility it wants to have
- Determining the span of management : designing a structure is to determine the number of subordinates who should report directly to each executive
- Setting up a coordination mechanism: enable the members of the organization to keep sight of the organizations goals and reduce inefficiency and conflicts

SPAN OF MANAGEMENT/ span of control

- “Span of management”- is also referred to as span of control, span of supervision, span of authority or span of responsibility. It indicates the number of subordinates who report directly to a manager.
- The span of control is defined as the number of subordinates under one manager. In a wider span of control, a manager has many subordinates who report to him. In a narrow span of control, a manager has fewer subordinates. The number of subordinates that can be effectively managed for supervision and delegation of authority would depend upon a number of factors

- The span of management suggests the appropriate number of subordinates a manager can manage effectively
- According to louis allen, ” span of supervision refers to the number of people that a manager can supervise”
- According to j. stoner, “span of management may be defined as the number of subordinates who report directly to a given manager”

Factors governing the span of management (contingency approach)

- Ability of the manger : some mangers are more capable than others and therefore handle large no. of subordinates
- Ability of the employees : employees are competent and possess the necessary skill and motivation to perform the task assigned, less attention from the manger
- Type of work : if employees are doing similar jobs, the span of management can be larger. If jobs are quite different , small span may be necessary

- Well-defined authority and responsibility : if the authority and responsibility of each employee are properly defined and if there are clear policies and procedures, they need not make frequent calls on their supervisions for guidance and instructions
- Geographic location: office manager who has 25 employees, all located in one room may be able to supervise them very well. But the sales manager who 25 sales people located in 25 different districts would find direct supervision impossible
- Sophisticated information and control system: if they use sophisticated info and control system and objective standards to detect deviations from established plans, the need for close supervision is obviated [To anticipate and dispose of effectively]

- Level of management: span of management also varies with each level in the organization:, mgt hierarchy for this purpose is super managers, general manger, middle mangers and supervisors.
- Economic consideration: it also affect the choice of span. Smaller spans means a larger number of managers with the added salaries and other costs may entail
- Higher morale: when the employees enjoy higher morale, they remain prepared to put in extra efforts. Manager can manage a large number of employees with minimum effort .[confidence, self- esteem, self-confidence, spirit]

Principles of organizing

- If there is to be a systematic approach to the formulation of organization structure, there ought to be a body of accepted principles, :

• Objectives	*efficiency
• Specialization	*simplicity
• Span of control	*flexibility
• Exception	*balance
• Scalar principle	*unity of direction
• Unity of command	*personal ability
• Delegation	*acceptability
• Responsibility	* authority

Organization as a structure

- The term ogranization can be studied as a structure and also as a process
- Structure is the established pattern of relationships among the component parts of the organization" (refers to the network of relationships among individuals and positions in an organization)
- Organisation structure suggests its framework (skeletons)
- Organization as a structure implies the following six elements:
  - Intentionally created
  - Provides framework
  - Use of chart
  - Provides formal picture
  - Coordinates resources
  - Formulating goals

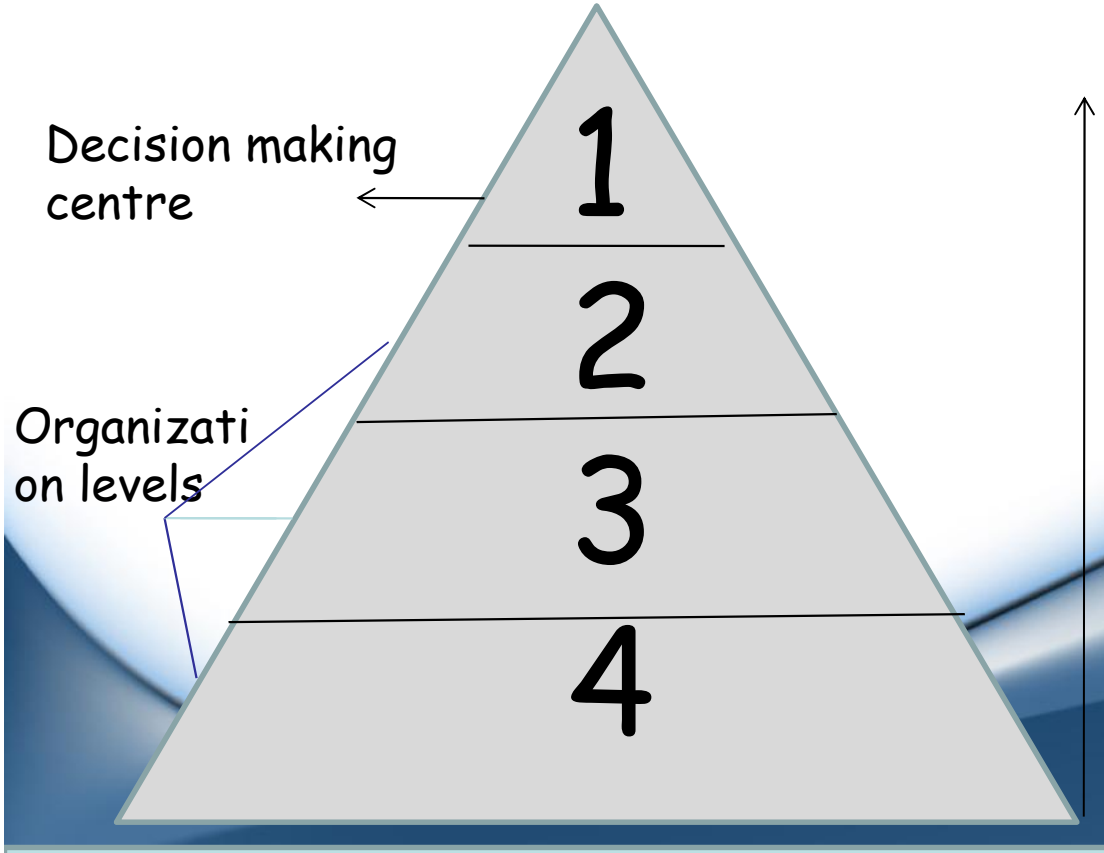
- An organization is the structural framework for carrying out the functions of planning, decision-making, control, communication, motivation, etc
- The formal structure of an organization is two-dimensional 1. horizontal and 2. vertical.
- 1. horizontal dimension depicts differentiation of the total organizational job into different department
- 2. vertical dimension refers to the hierarchy of authority relationship with a number of levels from top to bottom. Authority flows downward along these levels, higher the level greater the authority

- Organization chart : it is a snapshot of an organization at a particular point in time which shows the flow of authority, responsibility and communication among various depts, which are located at different levels of the hierarchy. There are three principal forms of organization charts:

  - Vertical: top to bottom the chief executive at the top and all other successive levels of mgt vertically downward
  - Horizontal: reads from left to right, chief executive at the left and all other successive levels of mgt horizontally rightward
  - Circular: shows position of chief executive in the centre of the various co centric circles of different radii,

- Organization manuals : organization manuals promote understnding of structures , by means of description of the various jobs, that may be listed only by title on charts. Usually , they include charts and sometimes the following info:
  - Company's mission or philosophy
  - Company's objectives, policies and processes
  - Authority and responsibilities of each position
  - Relationship of each position with other positions
  - Committees –their relationship, objectives and functions
- Mechanistic and organic structures : organizations may be departmentalized on the basis of function, product , place or some combination of the three. There are two types of structures : mechanistic and organic.

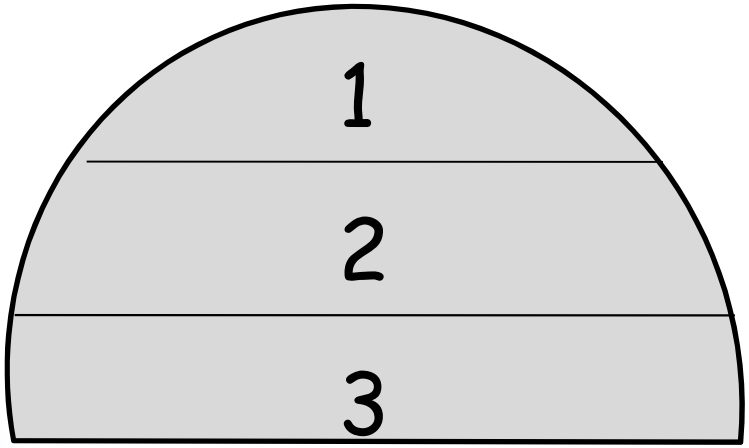
- Mechanistic : or classical organization structure is usually pyramid-shaped. This implies centralization of authority at the top, departmentalization of jobs, hierarchy of command, narrow span of supervision and intense division of labor. Eg: Tall organisation



Tall orga implies:

1. Distance from top to bottom
2. Extended communication lines
3. Impersonality
4. Narrow span of control
5. centralization

- Organic or behavioural structure has generally wider spans of control which give rise to a flat form, more general supervision and more decentralisation. People are grouped according to their social needs eg: Flat organsiaton



Flat organs implies

1. High levels of decentralization
2. Extremely wide spans of control determined on the basis of each superior's interpersonal skills
3. Less extended communication lines

PRINCIPLES OR ORGANISING / ORGANISATION STRUCTURE

- The principles of organisation offer guidance for the creation of a sound, efficient and effective organisation structre
- Well accepted principles of organisation / organising are as explained below:

1. Unity of objectives
2. Division of work and specialisation
3. Delegation of authority
4. Coordination
5. Unity of command
6. Flexibility
7. Simplicity etc…….

Factors determining organization structure

- Environment
- Goals
- Strategy
- Size
- Workforce
- Quality of technology

Need/ significance/ importance of OS

- Facilitates administration
- Facilitates coordination
- Facilitates division of work
- Facilitates growth, expansion and diversification
- Facilitates effective communication
- Ensures optimum utilization of human resources
- Stimulates creativity
- Balanced emphasis on various activities
- Optimum use of technology
- Determines individual responsibility

Steps in designing OS

- Identification of activities
- Grouping of activities
- Assignmnet of duties
- Delegation of authority

Types of OS

- Line orgnisation structure
- Line and staff organisation structure
- Functional organisation structure
- Project organisation structure
- Matrix organisation structure

Authority Responsibility

Delegation of authority , responsibility decentralization

Authority , responsibility and accountability

Authority: authority is the right or power assigned to an executive or a manager in order to achieve certain organizational objectives.

Responsibility: responsibility indicates the duty assigned to a position

Accountability: is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility

Delegation of authority

- Delegation means assigning of certain responsibilities along with the necessary authority by a superior to his subordinate managers.
- Delegation involves:

  assignment of duties

  granting of authority

  creation of obligation

Authority

- Authority is the power assigned to a manager
- A manager will not be able to function efficiently without proper authority.
- Authority is the genesis of organizational framework.
- An organization cannot survive without authority
- Henry fayol: " authority is the right to give orders and power to exact obedience"

Delegation -Definitions:

- F.C Moore : Delegation means assigning work to the others and giving them authority to do so

- O S Miner: delegation takes place when one person gives another the right to perform work on his behalf and in his name and the second person accepts a corresponding duty or obligation to do that is required of him

Objectives /purposes of delegation of authority

- To reduce the excessive burden on the superiors , executives and managers functioning at diff levels
- To provide opportunities of growth and self development to junior executives
- To create a team of experienced and matured managers for the organisation
- To improve individual as well as overall efficiency of the organisation.

Process of delegation of authority /stages in the delegation process

1. I statge: assignment of duties of subordinates
2. II stage: transfer of authority
3. III stage: acceptance of assignment
4. IV stage: creation of responsibility

Principles of delegation of authority

- Authority should be co-existent with responsibility [proper balance between the authority and responsibility]
- Principle of unity of command [every one should have only one boss, orders and instructions from one superior]
- The scalar principle [there should be clear and direct lines of authority in the orga. top to bottom.
- Principle of functional clarity [activities are classified and grouped to create dept. to made clear to delegate]

- Principle of absoluteness of responsibility [it is only the authority, which is delegated, not the responsibility, always responsibility is absolute and remains with the superior]
- Use of exception principle [it is expected that the subordinate will exercise his own judgment and take decisions within the authority]
- Principle of completeness of delegation [there should be completeness in the process of delegation, otherwise, confusion of authority and accountability]

Advantages of delegation of authority

1. Relieves manager for more challenging jobs
2. Leads to motivation of subordinates
3. Facilitates efficiency and quick actions
4. Improves employee morale
5. Develops team spirit
6. Maintains cordial relationships
7. Facilitates management development

Barriers to effective delegation of authority barriers on the part of mangers/superior /delegator

- Unwillingness of the manager to delegate authority
- Fear of competition
- Lack of confidence in subordinates
- Lack of ability to direct
- absence of controls that warn of coming troubles
- Conservative and cautious temperament of the manager
- Desire to dominate subordinates

Barriers to effective delegation of authority barriers on the part of subordinates (why subordinates resist delegation)

- Too much dependence on the manager for decisions
- Fear of criticism
- Lack of information
- absence of positive incentives
- Absence of self confidence
- Difficulty in decision making
- Poor superior subordinate relations
- Undue interference by superior
- Fear of being exposed

- Importance /significance of effective delegation
- Knowledge of what to delegate and what not to delegate
- Decide the quantum of authority to be delegated
- Develop necessary knowledge and skill to delegate
- Guidelines for effective / successful delegation
- Determine objectives
- Provide incentives
- Maintain favorable atmosphere
- Assign duties and grant equal authority
- Select competent subordinates
- Develop effective control system
- Retain important tasks
- Develop proper motivation
- Provide training facilities

DECENTRALISATION

- Decentralization of authority means conscious /systematic effort to bring dispersal (spreading) of decision making power to the lower levels of the organization
  - Decentralization is just opposite to centralization
  - Decentralization is a natural development when the organization grows large and complex.

Definitions

Henry Fayol: everything that goes to increase the importance of the subordinates' role is decentralisation, everything that goes to reduce it is centralisation

Louis Allen: decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points

Advantages of decentralization of authority

- Decentralization helps to improve the quality of decisions/ decision-making at the top level management
- Decentralization facilitates diversification of activities
- Decentralization encourages development of managerial personnel
- Decentralization improves motivation
- Decentralization makes decision-making quicker and better
- Decentralization provides opportunity to learn by doing

Dis Advantages of decentralization of authority

- Problem of co-ordination
- Absence of uniformity (inconsistencies)
- Costly
- Difficult for small concerns
- Creates special problems (uncertainties)

Advantages of centralization

- Coordination of activities of subordinates is better achieved
- There is no duplication of efforts or resources
- Decisions take into account the interest of the entire organization
- Strong central leadership develops which may be required in crisis

- Role and Importance of Control Process,
- Budgeting and Variance Analysis .

Role and Importance of Control Process

Meaning of controlling:

- “the inter-relationship between the functions of planning and controlling is clearly evident. ” planning involves the establishment of organization objectives and the development of strategies, while controlling establishes standards of performance and compares actual results with the planned results to determine whether operations are being performed according to plans
- The control function monitors the system “to keep things in line”

- Control can mean several things such as:
  - To check or verify
  - To regulate
  - To compare with standard
  - To exercise authority over
  - To curb or restrain
- It is rightly treated as the soul of mgt process
- The control means to see that there is no deviation between the expected results and the actual results.

Definition of control/controlling

- Louis Allen, “control means to guide something in the direction it is intended to go”
- Koontz , “the managerial function of control is the measurement and correction of the performance of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are accomplished”
- Henri fayol, “control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established”

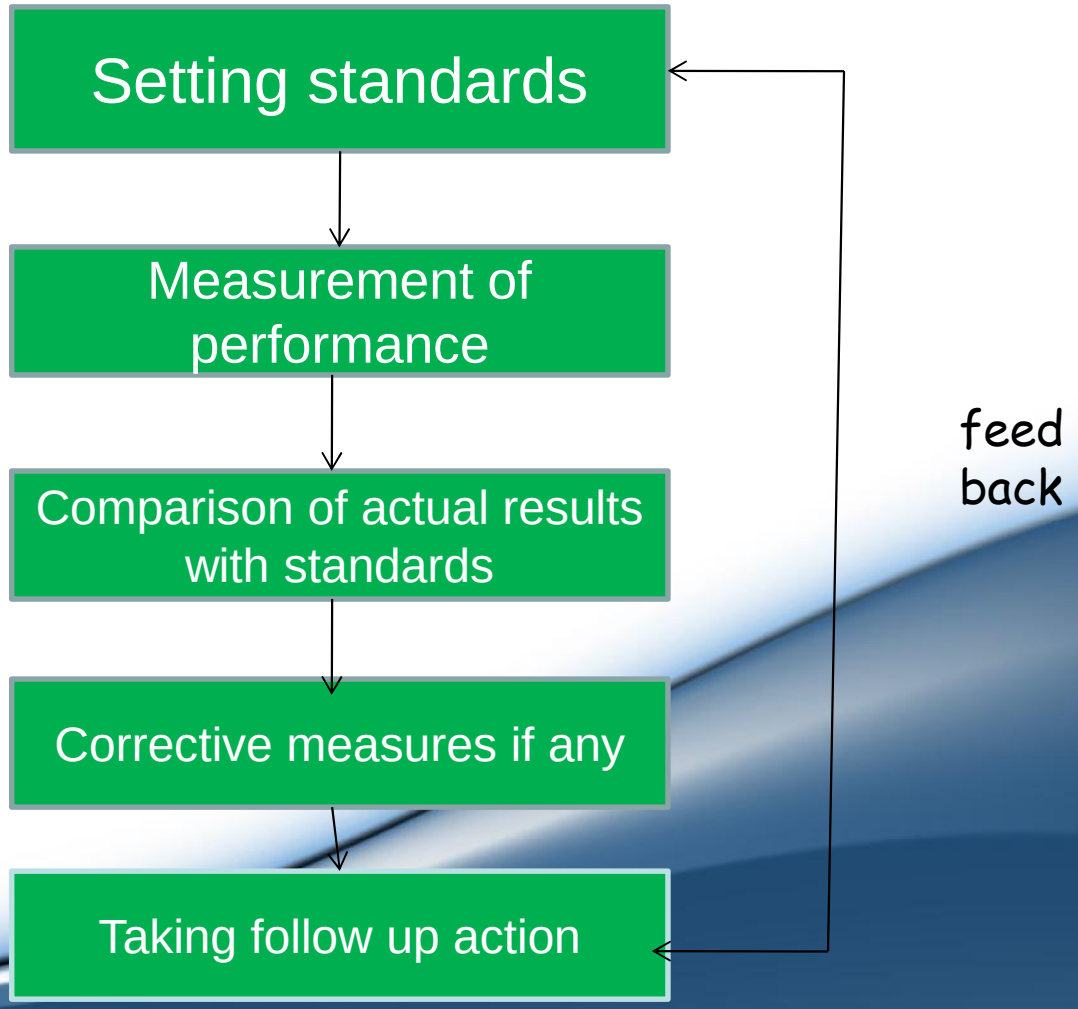
Characteristics of control function

- Closely linked with other management functions
- Used at all levels of mgt
- Action-oriented system
- Control is the process of evaluation
- Regular and continuous activity
- Control eliminates wastages
- Dynamic and forward-looking concept

Importance of controlling

- Facilitates achievement of targets
- Facilitates regular consultation
- Facilitates coordination and efficiency
- Avoids deviations
- Avoids wastages
- Provides remedial measures
- Objectives oriented
- Introduces delegation / decentralization
- Removes weak points
- Raises employee morale

The controlling process/
steps /elements in control process /procedure



- Setting / establishing standards /targets: a standard is a criterion or measuring rod against which the actual performance is to be measured.
- These are levels of activities established by mgt for evaluating performance.
- Standards must be clearly specified and understood by all organizational members without ambiguity and defined in measurable terms, wherever possible.
- Some of the quantitative standards against which performance can be measured are:
  - Time standards
  - Cost standards
  - quality standards
  - Return on investment
  - income standards
  - market share standards
  - productivity
  - quantitative personnel standards

Measuring actual performance:

monitoring and measuring is a continuous activity and involves collection of relevant data that represents the actual performance of the activity so that a comparison can be made .

5 types of evaluations:

- Effort [extent of input and idea is to measure]
- Effectiveness [input elements does not adequately convey the degree of effectiveness , this problem will be solved by results by the way of output eg. In a limited time how much o/p]
- Efficiency [relates to output to input, better if more can be done/ time or process]
- Process [underlying process to convert effort into outcome]

Comparison of actual results with standards :

- Actual performance is compared with the expecred performance inorder to find out deviation
- Standards are known and performance report is also available
- Deviation can be noted during comparison.
- Comparison tells us if any thing has gone wrong in the process or operations.
- Deviation – positive , negative, tolerance limit (accepted limit)
- Deviation factors – schedule , quality, quantity ,

Corrective measures if any :

- Once the deviations have been detected and presented to management for consideration, the decision must be taken as to what corrective actions are needed to remedy the situation.
- These corrective actions must be taken within the constraints of acceptable tolerance levels

Taking follow up actions:

- feedback mechanism is important in the control process

Types of control

- Pre-controls
- Steering controls [navigated]
- Yes/No controls
- Post-action-controls

Budgeting

- Budgeting is the process of formulating financial plans in numerical terms for a specific period. It is the exercise of converting the physical plans into numbers or figures and breaking them up into components consistent with the financial results.
- Business budgeting can be explained as a pre-determined programme of action for a specified period serving as an instrument for the cooperation of plans and control of actions for attaining the desired goals in business.

Definitions of budgeting

- Stephen landekich “ a process of communication and decision making instrumental in planning and control which functions through coordination of planning and accounting ”

- Rufus wixon , budgeting is “a plan which has been prepared for all phases of the operations of a business for a definite future period of time”

Purpose of budgeting

- The Systematic planning and control of operations
- To clarify the programmes
- To coordinate the activities of various branches
- To measure efficiency and simplify executive control
- To help in financing the business
- To inform parties related with the company about its financial position

Budget preparation

- Sound forecasting
- Efficient accounting system
- Adequate cost information
- Sound business policies
- Suitable budget period
- Proper estimation
- Managerial support
- Sound organization structure
- Maximum cooperation

Types of budget

- Master budget

  [summary of budget incorporating its component functional budgets, often called as blue print of functional budgets]

- Functional budget
  - Budget of income or expenditure appropriate to or the responsibility of a particular function
  - Sales budget capita expenditure budget
  - Finance budget
  - Cash budget
  - Mfu budget
  - Cost budget

Budget development process

- Standardized approaches are used in preparation of budgets
  - Top down budgeting

    [prepared by senor managers and are passed down to lower levels end the lower level managers are expected to operate within these budgets]
  - Bottom-up budgeting

    [grassroots budgeting, based upon the knowledge and experiences of all organization members. employees directly involved in various operations contribute input to budget]
  - Zero-based budgeting (ZBB)

  [the preparation of the budget builds up the costs from zero rather than starting with current level of costs. With each budget so built, there should be justification for every rupee]

Variance Analysis

- Variance analysis is the difference between a budgeted, planned and standard amount and the actual amount incurred/sold
- The concept of variance is intrinsically connected with planned and actual results and effects of the difference between those two on the performance of the company
- Variance analysis is a tool of budgetary control

- Analysis of variance depend on:
  - Companies of actual results and the standards previously set
  - Interpretation of the causes of difference between the two numbers
- The difference is called variance
- There are two types of variance
  - Favorable variance: when actual results are better than expected results
  - Unfavorable /adverse variance: when actual results are worse than expected results

Using Variance Analysis to Track Business Performance

Variance analysis can be used to observe how well a business is performing and also how close actual costs and revenues are to expected costs and revenues. However there are some caveats to its usefulness.

Definition of Variance Analysis

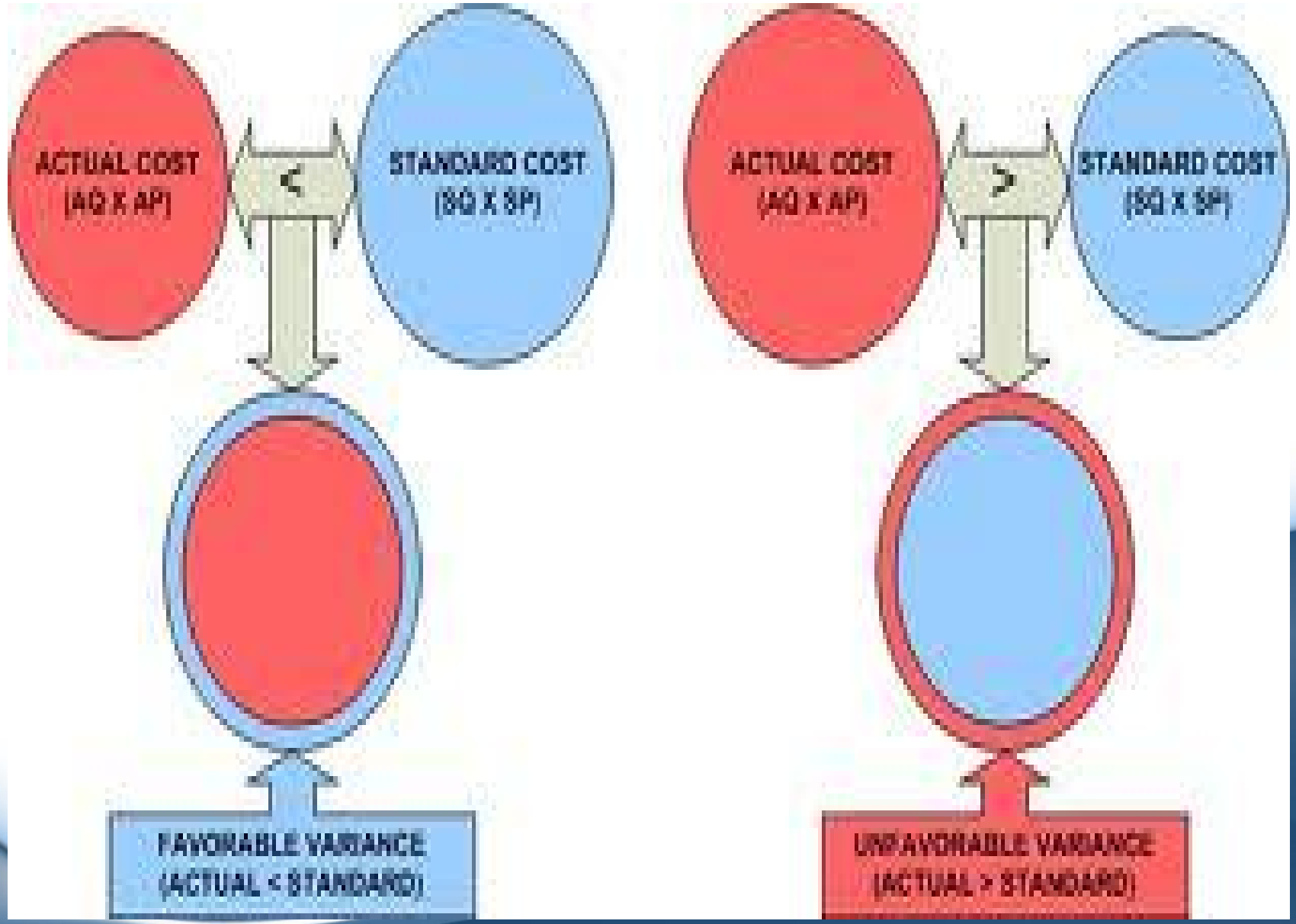
The analysis includes an explanation of the difference between actual and expected figures as well as an evaluation as to why the variance may have occurred. The purpose of this detailed information is to assist managers in determining what may have gone right or wrong and to help in future decision-making.

Favorable Variance

A variance can be put into the favorable category when the results are better than expected. This means that revenues were more than the expected amount or costs were below the budgeted amount. In accounting practice, a favorable variance is shown by noting a letter F in parenthesis on the reports. A favorable variance might earn a bonus for a manger, or perhaps a move up the corporate ladder.

Unfavorable Variance

the variance can be judged as unfavorable if the results are worse than expected. If the revenues were below expectations or the costs were higher than standard, the variance would be termed unfavorable or adverse. This would be denoted on the reports with the letter A or U, usually in parenthesis. Consistently creating an unfavorable variance might result in a manger being reprimanded or losing their job. However, the analysis is typically used to help mangers prevent a negative situation from recurring by providing information about what went wrong.


ACTUAL COST
(AQ X AP)
<
STANDARD COST
(SQ X SP)
FAVORABLE VARIANCE
(ACTUAL < STANDARD)
ACTUAL COST
(AQ X AP)
>
STANDARD COST
(SQ X SP)
UNFAVORABLE VARIANCE
(ACTUAL > STANDARD)

questions

- Explain the important principle s of organizing
- Define the term, organization give its characteristics
- “Sound organization structure is an essential prerequisite of efficient management” discuss this statement and point out the various principles which should be developing organization structures
- What is span of control? What are the factors affecting it
- Briefly explain the concepts of authority and responsibility.

- What is delegation of authority? How it can become effective?
- Explain the difficulties experienced both the managers and subordinates with regard to delegation of authority
- Define decentralization
- Discuss control process
- Define budgeting ? Explain objectives and preparation and types of budget
- What is variance analysis?
- Short note:
- Functional budget Variance analysis
- Controlling span of control

Performance appraisal & compensation plan:

- purpose of appraisal
- criteria of PA
- PA methods
- primary compensation
- incentive compensation
- pay-for-performance
- non-monetary incentives.

performance appraisals

- **performance appraisals, performance evaluation and assessment of job skills, personality and behaviour - and tips for ’360 degree feedback’, ’360° appraisals’, ’skill-set’ assessment and training needs analysis tips and tools**

Meaning/nature / concept of PA

- PA is systematic and orderly evaluation of performance of employees at work by their superiors who are familiar with the techniques of PA
- It indicates the position of an individual employee in relation to job expectations
- An impartial system of PA is not against employees but is actually beneficial to them in the long run as it helps them to improve and raise their potential

defi

- **Scott, Clothier, and Spriegal,** “PA is a process of evaluating an employee’s performance of a job in terms of its requirements”
- **Dale Beach** “the systematic evaluation of the individual with respect to his performance on the job and his or her potential for development ”
- **Michael Crino**, “PA is the process of assessing quantitative and qualitative aspects of an employee’s job performance”

Purpose of Appraisal

- PA of employees is needed for different purpose. Such purposes are broadly divided into the following two categories:
  - **1. administrative purposes**
  - **2. Self improvements/development of employees**

Administrative purposes

- Promotion and placement of employees
- Transfers and demotions
- Wage and salary administration
- Training and manpower development programmes
- Personnel research
- Favorable impact on employees
- Miscellaneous administrative purpose
  - To confirm the services of probationary employees
  - To improve internal communication etc

Self improvements/development of employees

- To assess the critical attributes of the executives
- To provide performance feedback to an executive for improvement
- To highlight the strengths and weaknesses and areas of improvement in the case of an executive
- To find out personal traits of an executive and suggest the ways for further improvement
- To identify the development areas of the executives and provide the right kind of opportunities
- To discover the latent/hidden skills, talents etc available with an executive

- To assess whether the executive is on the right job, right place or not
- To find out the kind of job rotation or career opportunities should be provided to an executive
- To provide necessary counseling to the manager to improve his performance
- To develop career plans in the case of promising managers

Criteria of performance appraisal

- There are number of performance criteria which may be used to measure the performance of an employee
- This criteria can be divided into objective criteria and subjective criteria
- Objective vs. Subjective Criteria
- **The Problem: How to measure performance**
- **(i.e.,**selection of actual criteria)
- **The Options:**
- 1. Objective criteria: use of quantitative measures that do not require subjective judgment (e.g., # widgets; $ value of sales; days absent)
- 2. Subjective criteria: rankings or ratings made by individuals who are knowledgeable about performance (e.g., supervisors, peers, customers

Potential Problems with Objective Measures

- 1. May not include all relevant aspects of performance (criterion deficiency)
- 2. Objective outcomes may be influenced by irrelevant factors (criterion contamination)
- 3. Objective outcomes are not available for some Jobs

Subjective Measures of Performance

Potential Rating Sources

- • Supervisor
- • Peers
- • Self
- • Subordinates
- • Clients/customers

Subjective Measures of Performance

- **Criteria for Selecting Evaluators**
- • Familiarity with performance (i.e., opportunity to observe)
- • Knowledge of the job (purpose, constraints, etc.)
- • Freedom from bias
- **Note. All sources have strengths and weaknesses.**
- Therefore it is often beneficial to use multiple raters (e.g.,360 feedback)

The important criteria which can be used to appraise the performance of different classes of employees in an organization

- Performance criteria of operatives
- Performance criteria of first level supervisors
- Performance criteria of middle level managers
- Performance criteria of top level managers

Performance criteria of operatives

- Quantity and quality of output in a given period
- Work sample tests
- Length of service
- Amount of training necessary
- Ratings by supervisors
- Number of accidents in a given period
- Number of absents in a given period

- Performance criteria of first level supervisors

- Quantity and quality of output in a given period
- Labor cost per unit of output in a given period
- Material cost per unit of output in a given period
- Total cost per unit of output in a given period
- Absenteeism rate for a given period
- Turnover rate for a given period
- Man shifts lost due to stoppage of work in a given period
- Number of accidents in a given period

- Performance criteria of middle level managers

- Quantity and quality of output in a given period
- Labour cost per unit of output in a given period
- Material cost per unit of output in a given period
- Total cost per unit of output in a given period
- Rational use of overhead facilities
- Coordination among supervisors
- Degree of knowledge among supervisors about corporate goals and policies
- Extent to which front-line supervisors regard themselves as managers and behave likewise
- Extent upward communication of ideas, information and queries from front-line supervisors

- Performance criteria of top level managers

- Return on capital employed
- Labour productivity indices(index)
- Degree of knowledge among middle level managers about corporate goals and policies
- Extent to which middle level managers regard themselves as managers and behave likewise
- Extent of upward communication of ideas, information and queries from middle level managers
- Contribution to the socio-cultural values of the environment

Performance appraisal methods

- Different methods are used for performance appraisal of managers . Such methods are classified into two categories.
  - Traditional methods and
  - modern methods

Methods of PA for managers

Traditional methods /techniques	Modern methods / techniques
Confidential reports	Human resource accounting method
Ranking method	Appraisal by results or mgt by objectives
Grading method	Assessment centre
Graphic rating scales	Behaviorally anchored rating scales(BARS)
Checklist method	360 Degree appraisal
Forced choice rating method	
Critical incident method	
Essay method	
Group appraisal	
field review method	

Compensation plans

Meaning:[compensation payment]

- Compensation payment is the monetary made by the employer to his employees for the services rendered
- Compensation payment includes
  - primary compensation,
  - incentive compensation and
  - pay-for-performance
- Paid compensation in terms of money called wage or salary payment
- Wage is a monetary payment / compensation made by the employer to his employee for the

- Normally compensation payable to an employee includes three components:
  - Basic primary compensation for the job (wage / salary) plus DA
  - Incentive compensation t the employee on job(performance linked incentives) such payment is based either on individual output or group output
  - Ay-for-performance of an employee as per some performance measure

PRIMARY COMPENSATION

- It is basic pay in the form of wages or salaries
- It is the main component of compensation package payable to the employees
- Basic pay increases accordingly till it reaches to the highest basic pay noted in the grade.
- The basic pay given to an employee is supported by following monthly payments:
  - DA : it is as per cost of living. It is paid as a percentage of basic pay
  - HRA : it is paid to employee to whom living accommodation is not provided. It is calculated as a percentage of basic pay
  - CCA(city compensatory allowance): it is paid in metros and big cities
  - TA: some employers pay such allowance. It is a fixed amount payable every month

- Primary compensation needs to be paid regularly to all employees as it constitutes main source of income to large majority of employees
- A sound primary compensation structure is a function of internal and external alignment

A. Internal alignment (job evaluation)

- Means that there should be a proper relationship between the wages and salaries of various positions within the enterprise
- It is concerned with concept of equity
- The relative wages of an employee are almost as important for him as his absolute wages(fair pay for jobs)
- Classifying the jobs from lowest to highest.

External alignment (pricing the job)

- Once the relative worth of each job has been established through job evaluation, the mgt's next task is pricing the jobs, in monetary terms comparison of present wage rates in the company with the wage rates in other companies is desirable.
- If the external alignment is lacking , the organization is on the wrong side and will not be able to retain its capable employees or will not be able to attract efficient employees from outside.
- It may be noted that internal wage level should be closely related to the external wage level. The mgt has freedom to fix its wages at a little higher or lower level. This will avoid major disturbance to the internal wage structure

An above-average wage level is generally fixed	Average rates may be decided
When the enterprise wants to choose employees from the wider reservoir of talents	When there is an abundance of labour
When qualified personnel are in short supply	When the enterprise is incurring losses
When the enterprise wants to gain a reputation in the community as good employer	When the cost of living is going down
When there is union pressure on the enterprise to pay high wages	When the enterprise has the reputation of being a stable employer with no lay-offs
When the enterprise wants to keep the unions out	When the enterprise pays substantial fringe [border/edge] benefits
When the wages are linked to productivity, which is rising	When wages are linked to productivity, which is constant or is falling
When the cost of living is going up	lay-offs [temporary suspension or permanent termination of employment]

Factors affecting wages

- Demand and supply of labour
- Labour unions
- Cost of living
- Competition
- Prevailing wage rates
- Ability to pay
- Job requirements
- State regulations
- Court judgments
- Philosophy of mgt

Factors affecting executive compensation

- Job complexity
- Employer’s ability to pay
- Employee’s education and experience
- Employee’s performance
- Statutory limits[under Indian companies act the remuneration payable to different categories of managerial personnel]

Time as basis for pay

- The oldest and most common system of paying employees is on the basis of time. ie. Rate per hour, per day, per week, per month , per year. under this no consideration is given to the quality or the amount of output
- In the time base system, wages are paid as per the time spent by workers in the factory.
- In time rate system, efficiency, sincerity and ability are not given any attention and all workers are paid at one and the same rate as per the period spent in the factory.
- There is no consideration to quality or amount of output in wage payment

Merits of time wage system

- Easy , simple and straight forward
- Guarantee of income(minimum wage)
- Support from the trade unions
- Avoids quarrels among workers, avoids breakage and damage to machines, equipments
- Avoids accidents and better employee health

Demerits of time wage system

- Does not distinguish between efficient and inefficient workers
- Not scientific system of wage payments
- as workers are paid equal remuneration, irrespective of their quantity of output, The more efficient among them are tempted either to reduce their speed and efficiency or to leave the organization
- No distinction between workers
- Strict supervision necessary

INCENTIVE COMPENSATION

- Primary compensation is a basic and also non-incentive and non-variable payement.
- incentive compensation provides for variable payments , based either on individual output or group output
- There is motivation to work hard and to earn more. In every incentive plan, wages are **linked with the productivity**
- Incentive payments are over and above the regular wages, are also called **payment by results**

Features of a good incentive plan

- **Simplicity:** easy to understand, simple to operate. An average workers must able to know incentive offered and expected to do. The monetary benefits must be made clear to all workers
- **Wide coverage :** all employees should be covered in such plan
- **Create initiative:** it will create initiative worker to work more and to earn more
- **Justice to employer and employee:** additional production and extra payment
- **Direct efforts-reward relationship:**
- **Grievance procedure:** every worker to place his complaint as regards wage payment and get it solved to his full satisfaction

Advantages of incentive compensation

- Employees take interest in the work on their own and work efficiently. As a result, the need and cost of direct supervision is reduced. Supervisors need not run after workers but they run after supervisors for the supply of tools, raw materials etc
- Incentive compensation develops mutual co-operation and understanding among workers, supervisors and managers.
- Incentive compensation leads to increase in employees punctuality and stability. It also brings down the rate of labor absenteeism and turnover

- Incentive compensation leads to better discipline and cordial industrial relations at the organizational level. This avoids disputes, go slow and work stoppages
- Incentive compensation , human ingenuity (cleverness) gets full scope for finding better methods and techniques resulting in higher productivity, workers come forward with new ideas and suggestions

Disadvantages of incentive compensation

- There is tendency among the workers to sacrifice quality for the sake of quantity. This calls for a very strict system of checking and inspection
- In the absence of adequate provisions, incentive payment brings about certain rigidity in the operations. This makes it difficult for mgt to revise norms and rates following changes in technology, methods, machines, materials etc
- Unless greater vigilance is exercised, there is a danger of the workers disregarding safety regulations

- Unless a maximum ceiling on incentive earnings is fixed, some workers tend to overwork and under undermine their health
- Jealousies may arise among workers because some are able to earn more than others. In the case of group systems, the fast workers may be dissatisfied with the efforts of the slower members of the group: where heavy work is involved, older workers in particular are likely to be criticized for being too slow
- The introduction of a system of incentive payment increases the amount and cost of clerical work, since it involves considerably more book-keeping. This is particularly true when the production is sub-divided into many processes

Types /Kinds of incentive compensation plans

- Different , incentive compensation plans area as noted below:
  - Individual inventive plans
  - Group incentive plans
  - Factory-wide or plant-wide incentive plans
  - Payment by results to indirect workers

1. Individual inventive plans :

1. The simplest of all individual incentives, popular since the scientific mgt over a hundred years ago, is the straight piece-rate system under which the employee is guaranteed a minimal hourly rate for meeting some pre-established standard out. The employee earns so much for each piece produced.
2. Added to a lower base-wage they get an amount that represents a percentage of the sales price.
3. One popular individual incentive system is merit pay under which employees who receive merit increases have a sum of money added to their pay

2.Group incentive plans :

- Individual systems of incentive payment are not suited to cases where several workers are required to perform jointly a single operation, as in the case of steel melting engineering works. It desired to introduce a introduce a system of payment by results for such workers, this can only be done on a group basis
- This encourage team spirit- a sense of mutual cooperation amongst workers. Cooperation reduces wastage of idle time and material and better productivity is obtained
- There are many group incentive plans-important is group piece work

3. Factory-wide or plant-wide incentive plans :

This differ from group systems in that the requirement of interdependence of operations does not necessarily apply . Also under factor-wide system, the amount of production id measured and the individual bonus calculated at long intervals , whereas under group systems, the measurement of production and the calculation of bonuses may be carried out at relatively short intervals

4.Payment by results to indirect workers:

- the employer agrees to share a part of the profit with the employees as per the agreement made.

- The purpose is to whole-hearted cooperation from the workers in the production activities
- Profit sharing is an arrangement under which the employer agrees to give a apart of the net profit to workers provided they raise the net profit over and above an agreed limit
- Profit-sharing is an novel and progressive idea in the industrial world.
- Workers are treated as the outcome of the joint efforts of employer and workers
- This is not popular in India.
- Definition of profit-sharing: is a method of industrial remuneration under which an employer undertakes to ay to his employees, a share in the net profits of the enterprise in addition to their regular wages

5. Payment by results to indirect workers :

- Indirect workers are not directly involved in production activities. They includes maintenance workers, cleaners, inspectors and packers.
- Indirect workers provide useful services for smooth production with efficiency.
- Various systems of payments by results are designed for such indirect workers, they are given reward for their increased efforts.
- Payments by results may also be designed to avoid dissatisfaction among the workers in a plant or even strike which may result if indirect workers are paid at their time rates while direct workers receive substantial bonuses

Pay-for-performance

- Pay-for-performance plans pay employees on the basis of some performance measure
- Paying an employee for the time on the job, some or all of his pay is made conditional on certain performance measure. This has the effect of focusing employee's attention and effort on the measure
- This is also called as **competency-based compensation** which pays the employee on the basis of his abstract knowledge or behaviors such leadership problem-solving, decision-making, strategic planning, cross- cultural communication skills, cust service or social skills. In this plan a certain number of pay categories, **called broad-banding,** are established

Non-monetary incentives

- ***Top Five Non Monetary Items Employees Want in the Workplace :***

- **Opportunity to Learn, Develop and Advance as an Employee.**

  Employees understand they need to grow, learn and develop new skills in order to advance. The ability to be able to choose their assignments and rise to new challenges offered by new responsibilities.

- **Flexible Hours.**

  Family, children, friends, church, sports, hobbies and other activities all have demands on today's employees. A flexible schedule or the occasional afternoon off can help employees meet some of these obligations. By allowing some flexibility in an employees schedule you can increase their desire and motivation.

- **Recognition.**

  In today's high paced work environment it is reported that employees consider recognition of their work and efforts rare and infrequent. Think about it - What better way to have an employee continue their good work and success then to offer them praise-verbal, written or ideally a public announcement.

  The Opportunity to Contribute.

  - The opportunity to be part of the team.
  - To work closely with managers and management.
  - To be involved in key decisions.
  - To be listened to and heard.

- **Independence and Autonomy.**

  Employees want to be able to work independently. They do not want someone constantly watching over them and questioning their every move. They like to receive their assignments -preferable with the time frame required for completion and then have the independence to complete the work given the guidelines and framework you have set on their own merits.

- Job security and job enrichment
- Fair treatment to employees
- Recognition of good work
- Encouragement for self development and career development
- Delegation of authority
- Congenial working conditions
- Enlightened attitude of mgt
- Fair opportunity for promotion
- Designation and status

- 1. Continuous education
- 2. Flexible work schedule
- 3. Bigger opportunities
- 4. Work environment upgrade
- 5. Recognition awards

questions

- Explain the concept of PA? explain its features
- Discuss the criteria of performance appraisal
- State the methods of performance appraisal
- What is primary compensation? Explain internal and external alignments relating to primary compensation
- What is incentive compensation? State advantages and limitations of incentive compensation
- Explain types incentive compensation
- Explain the non-monetary incentives offered to support wage packages of workers

Short notes:

- Time rate system
- Non-monetary incentives
- Payment by results to indirect workers
- Self appraisals
- Criteria of PA
- Purpose of PA

Marketing

- Understanding the concept of marketing
- marketing mix
- Product policy
- New product development
- Product life cycle
- Channels of distribution
- Marketing research

Meaning of marketing

- Marketing links **producers and Consumers** together for mutual benefits.
- Production will be **meaningless** if goods produced are not supplied to consumers through appropriate marketing mechanism.
- Customer is the **cause and purpose** of all marketing activities

defi

- According to **philip Kotler**, “marketing is human activity directed at satisfying needs and wants through exchange process”

- According to **william stanton** “marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying products to target markets to achieve organizational objectives”

- “Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to the present and potential customers”

- “marketing is the process of planning and executing the conception, pricing , promotion, and distribution of ideas, goods and services to create exchanges that ”

Nature / features of marketing

- Regular and continuous activity
- Facilitates satisfaction of human wants
- Relates to goods and services
- Brings transfer to ownership
- Creates utility of marketing (time, place n possession)
- Wider socio-economic significance
- Importance of 4 p’s
- Evolutionary concept
- Precedes and follows production

Marketing mix

- Marketing mix is one of the most fundamental concept in marketing management
- For attracting consumers and for sales promotion, every manufacturer has to concentrate on four basic elements / components . Ie product, price, place(distributed channels) promotion.

- This marketing mix is marketing manager's tool for achieving marketing objectives/targets
- Marketing mix is the combination of four basic elements/ingredients under one head.
- Product itself is the most important element of marketing mix. Price, place and promotion are the other supporting elements.
- M M indicates an appropriate combination of four p's for achieving marketing objectives.

definition

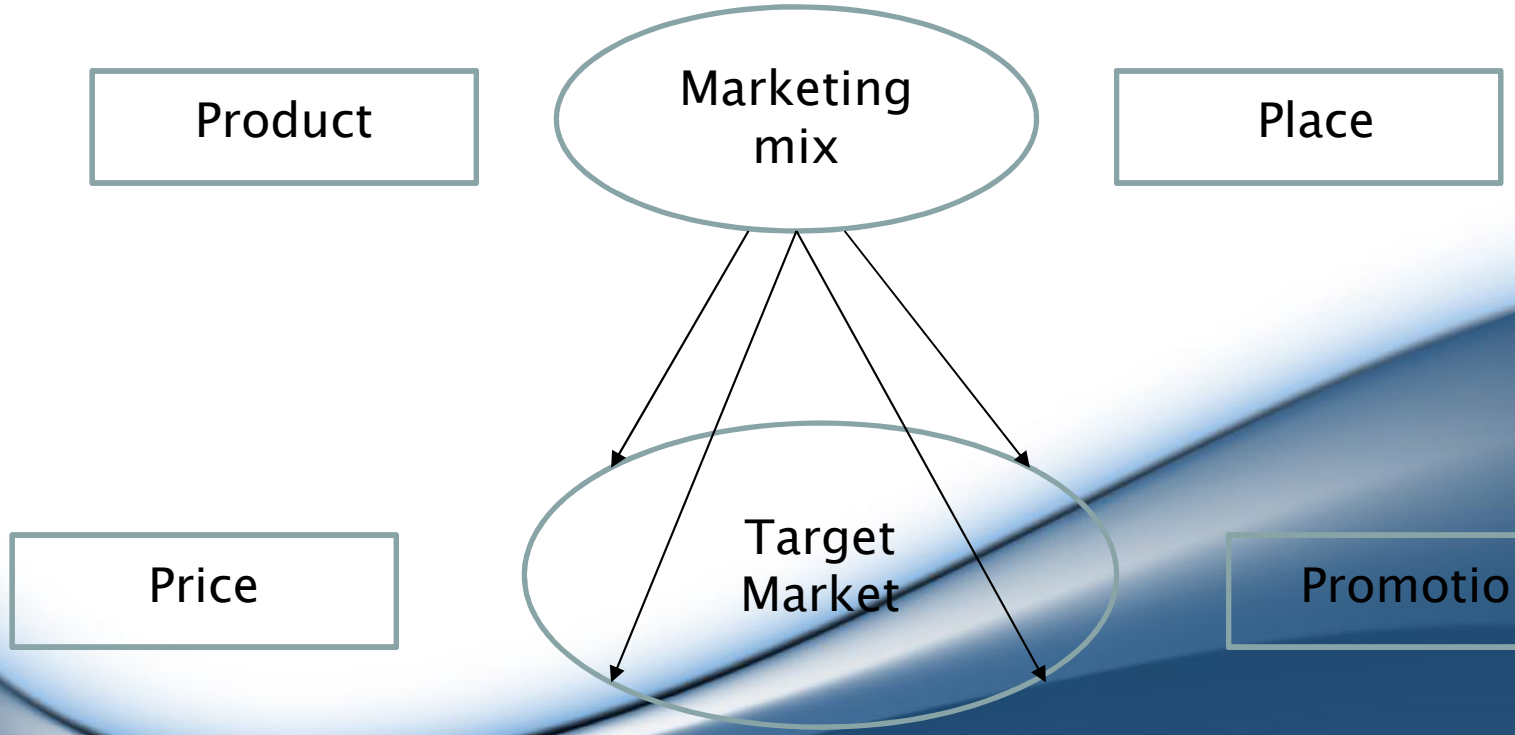
- W. J. stanton “ MM is the term used to describe the combination of the four inputs which constitute the core of a company’s marketing system, the product, price structure, promotional activities, and distribution system.
- Philip Kotler “ MM is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market.

Features of MM

- Combination of four marketing variables
- Useful for achieving marketing targets
- Flexible and dynamic concept
- Periodical adjustment of variables necessary
- Marketing manager acts as a mixer of ingredients
- Cust is the focus point
- Variables are interrelated
- Consumer-oriented activity
- Four p’s sellers correspond to four c’s of customers

Four P's	Four C's
Product	Customer solution
Price	Customer cost
Place	Customer convenience
promotion	Customer communication

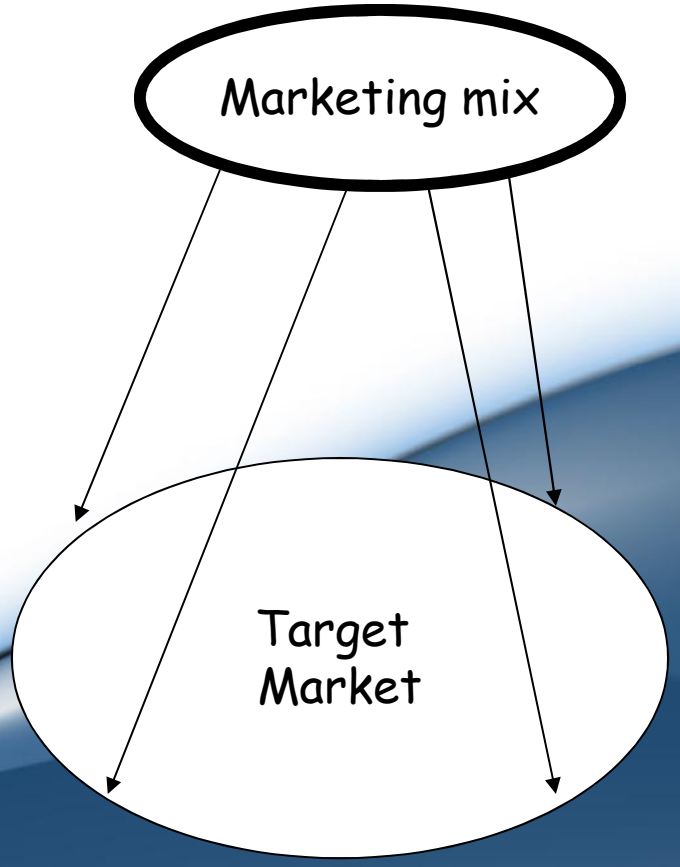
Elements of Marketing Mix



Basic elements of MM

- Each 4 Ps has several sub-variables

1. Product mix
2. Price mix
3. Place mix
4. Promotion mix



Product Mix

- Product mix, product line and range
- Style, shape, design colour, quality and othe physical feature of the product
- Packaging and labeling of a product
- Branding and trade mark given to a product
- Merchandising
- Product innovation and new products
- Guarantees and warranties of the product
- Special features of a product
- Product related strategies
- Product servicing (pre-after sales)

Place mix

- Types of intermediaries available for distribution
- Marketing channels available for distribution
- Physical distribution, transportation, warehousing and inventory control for making the product available to consumers easily and economically
- Dealer-principal relations

Price Mix

- Pricing policies
- Discounts and other concessions offered for capturing market
- Terms of credit sale
- Terms of delivery
- Pricing strategy

Promotion Mix

- Advetising and publicity of the product
- Personal selling(salesman ship)
- Sales promotion measures introduced at different levels(retailer, consumer and sales levels)
- Prublic reation techniques used for cordial realations with dealers and consumers and
- Display of goods for publicity and sales promotion.

Product policy

- A product is anything that is of value to a consumer and can be offered through a voluntary marketing exchange.
- The term policy connotes ***a standing plan that communicates broad guidelines for making decisions and taking actions.***
- Policy prescribes the framework within which the mgt has to operate
- Product policy aims at guiding the activities of the organization towards common goal.

- Product policy must spell out that the product thus marketed must fulfill the expectations of diversified groups of buyers

Elements of product policy:

- ❑ Product planning and development policy
- ❑ Product mix policy
- ❑ Product line policy
- ❑ Product branding policy
- ❑ Product positioning policy
- ❑ Product packaging policy
- ❑ Product pricing policy
- ❑ Product distribution policy

Marketing research

- The systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services
- The systematic , objective and exhaustive search for and study of the facts relevant to any problem in the field of marketing

defi

- “the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services” –American Marketing Association

- “Marketing research is systematic problem analysis, model building and fact finding for the purpose of improved decision-making and control in the marketing of goods and services”- Philip Kotler

Features of marketing research

- Systematic and continuous activity/process
- Wide and comprehensive in scope
- Emphasizes on accurate data collection and critical analysis
- Offers benefits to the company and consumers
- Commercial equivalent of military intelligence
- Tool for managerial decisions
- An applied research
- Reduces the gap between the producers and consumers

Objectives of marketing research

- To study the needs, wants and expectations of consumers
- To find out reactions of consumers to the products of the company
- To evaluate co. sales promotions measures for suitable adjustment and improvement
- To study current marketing problems and opportunities for suitable follow-up actions

- To suggest the introduction of new products, modifications of existing products and to discover new uses of existing products
- To design the test appropriate packages, brands of company’s products
- To study existing pricing , channels of distribution and market competition for suitable changes, if necessary
- To find out methods for making the products of the company popular and raising its goodwill and market reputation

Steps/ process in marketing research

- Identifying and defining a marketing problem
- Conducting a preliminary exploration(survey)
- Determining research objectives
- Determining the data required and their sources
- Creating research design
- Designing the questionnaire
- Designing a sample of respondents
- Organizing /processing the data collected
- Analyzing and interpreting data
- Preparing research report
- Presenting research report
- Follow-up steps

- Advantages /benefits of marketing research
- Indicates current market trends
- Pinpoints deficiencies in marketing policies
- Explains customer resistance
- Suggests sales promotion techniques
- Guidance to marketing executives
- Selection and training of sales force
- Facilitates business expansion
- Facilitates appraisal of marketing policies
- Suggests marketing opportunities
- Facilitates inventory study
- Provides marketing information
- Suggests distribution channels
- Creates progressive outlook
- Social significance

Limitations marketing research

- Offers suggestions and not decisions
- Fails to predict accurately
- Cannot study all marketing problems
- Resistance to research by marketing executives
- Time-consuming activity
- Costly / expensive activity
- Dearth of qualified staff
- Complexity of the subject
- Uncertainty of conclusions
- Limitations of data used
- Limited practical utility
- Miscellaneous limitations

New product development

- New product development means introducing a new product in the market.
- It is adding a new product to the existing product line of the company.
- New product development is one important aspect /component of product policy and product management .
- It may be noted that new product planning and development is a lengthy and time consuming activity which involve product research, product design and development and so on. Engineers, scientists , marketers etc are involved in this activity.

Why new product development is needed?

- It is essential in the case of all mfu/marketing companies.
- Innovation is the essence of all growth
- The following points justify the need of new product development:

A. Meeting the growing and changing needs of consumers

B. Pressures from environmental changes/threats

C. Earning more profit

D. Extending the product line

E. Expansion of business

- Stages/steps in new product development
  - ❑ Generating new product ideas
  - ❑Idea screening
  - ❑Concept testing
  - ❑Business analysis and market analysis
  - ❑Actual development of the new product
  - ❑Test marketing
  - ❑Commercialization/ large scale production

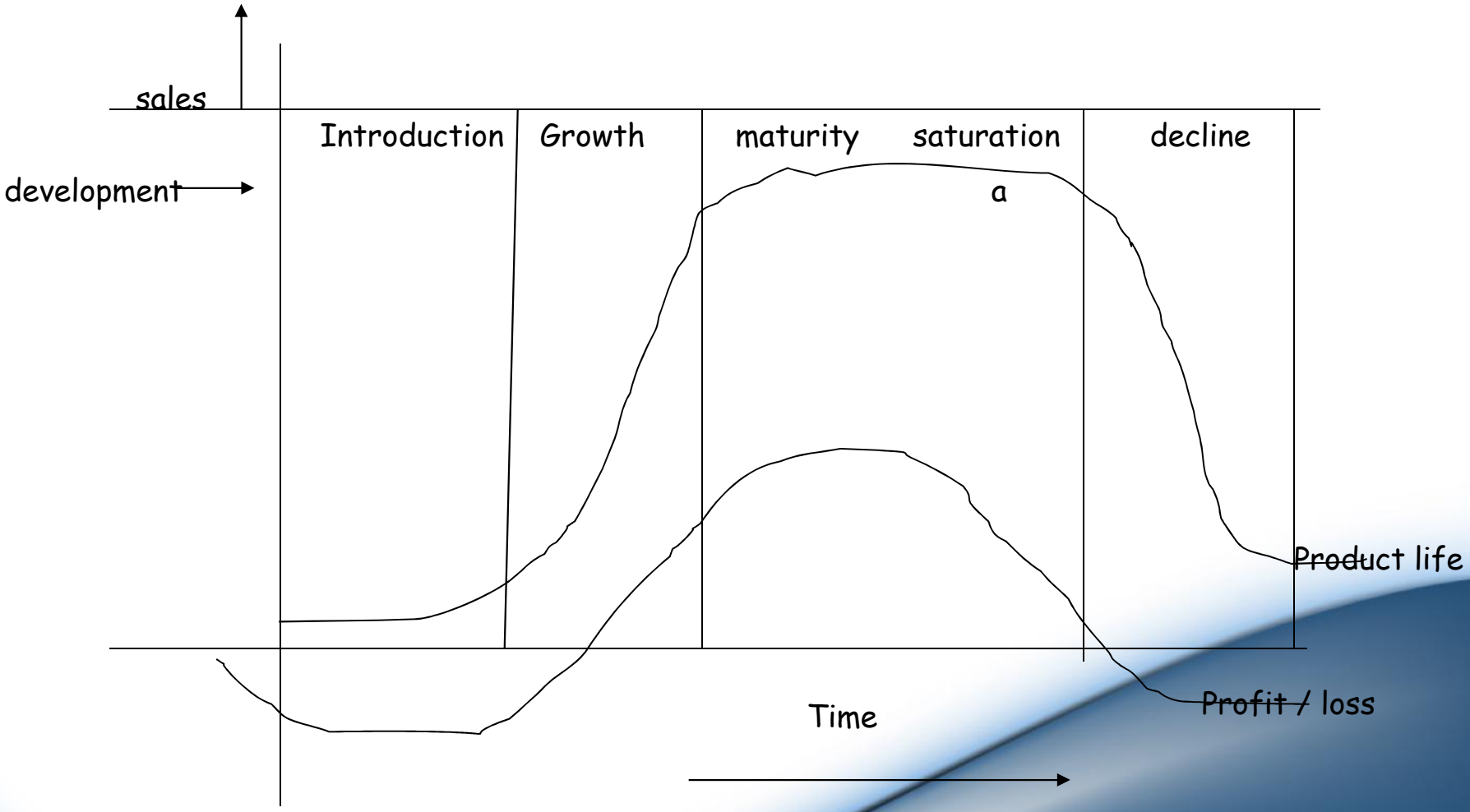
Product life cycle(PLC)

- After launching a new product it enters into product life cycle.
- The product is conceived prior to development is called birth and declining sales is called death.
- The intermediate period is characterized by growth, maturity and saturation
- The PLC is theoretical and not every product fits into the curve it suggests. But the PLC is used as a marketing tool to provide a guide to marketing strategy.

Product life cycle

- The four distinct stages of PLC

1. Market pioneering stage
2. Market growth stage
3. Market maturity stage
4. Market decline stage



Product life cycle

Distribution channels

- Definition:

Producers normally use of number of marketing intermediaries for taking their products to users. Marketing intermediaries bear a variety of names such as

sole selling agents, marketers, wholesalers, distributors, stockiests, semi-wholsalers, franchised dealers, retailers, authorised representatives brokers/ commission agent etc

A all such intermediaries constitute the distribution channel.

- Channel plays a pivotal role in vlaue delivery
  - Supplies several products, and in suitable assortments , as required by consumers
  - Breaks the bulk and caters to the small size needs of the consumers
  - Takes care of the various flows involved in distribution
    - ❖The physical flow of the products
    - ❖The ownership flow
    - ❖The risk flow
    - ❖The negotiation flow
    - ❖The financing/payment flow
    - ❖The information flow
    - ❖The promotion flow

channel provides distributional efficiency to the firm

- Minimizes the number of contacts needed for reaching consumers
- Provides salesmanship
- Helps in price mechanism
- Takes care of a part of physical distribution and financing
- Assists in merchandising
- Provides market intelligence
- Acts as change and generates demand
- A vital source of competitive advantage for the firm

Role /importance/ functions

of marketing channels /distribution channels

- ✓ Facilitates selling by being physically close to cust
- ✓ Provide distributional efficiency to the firm by bridging the manuf with the cust-efficiently and economically
- ✓ Break the bulk and cater to the tiny requirements of buyers
- ✓ Assemble products into assortments to meet buyers needs
- ✓ Look after a part of physical distribution/marketing logistics

- ✓ Sub-distribution
  - ✓ Reselling
  - ✓ Retransport
  - ✓ Handling
  - ✓ accounting
- ✓ Stock holding
  - ✓ Providing warehouse space
  - ✓ Storing the stocks
  - ✓ Bearing risks
  - ✓ Transforming static stocks into operational stocks, thereby aiding the sale process

- ✓ Share the financial burden of the principal , finance the stocks till they are sold to the ultimate consumers –extend credit to retailers/consumers
- ✓ Provide salesmanship to the firm
- ✓ Provide pre-sale and after-sale service to the customers on behalf of the firm.
- ✓ Assist in sales promotion
- ✓ Assist in merchandising
- ✓ Assist in implementing the price mechanism

- Assist in introducing new products
- Assist in developing sales forecasts/sales plans for the territory
- Provide market intelligence/feedback
- Maintain records
- Take care of liaison requirement
- Help diffuse innovations/new products among consumers, act as change agents and generate demand

Different patterns of distribution channels:

- Manufatuer-user
- Manu-mail order-user
- Manu-door to door salesmen-user
- Manu-manu-showrooms-user
- Manu-retailer-user
- Manu-wholesaler-retailer-user
- Manu-stockist/distributor-w-r-user
- Manu-marketer-d-w-r-user
- Manu-sole agent-s/d-w-r-user

Questions:

- What is new product development and explain stages in new product development ?
- Explain the product life cycle with example
- Explain diff types of distribution channels
- Explain main steps involved in marketing research
- What is marketing mix
- What is product policy?

THANK YOU