



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

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B.COM - 1 **BUSINESS** **ORGANISATION** **AND MANAGEMENT**

INDEX	
<u>Sr. No.</u>	<u>Name of the Unit</u>
1.	Emerging Opportunity in Indian Business
2.	Management
3.	Planning
4.	Organisation



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Unit – 1 Emerging Opportunity in Indian Business

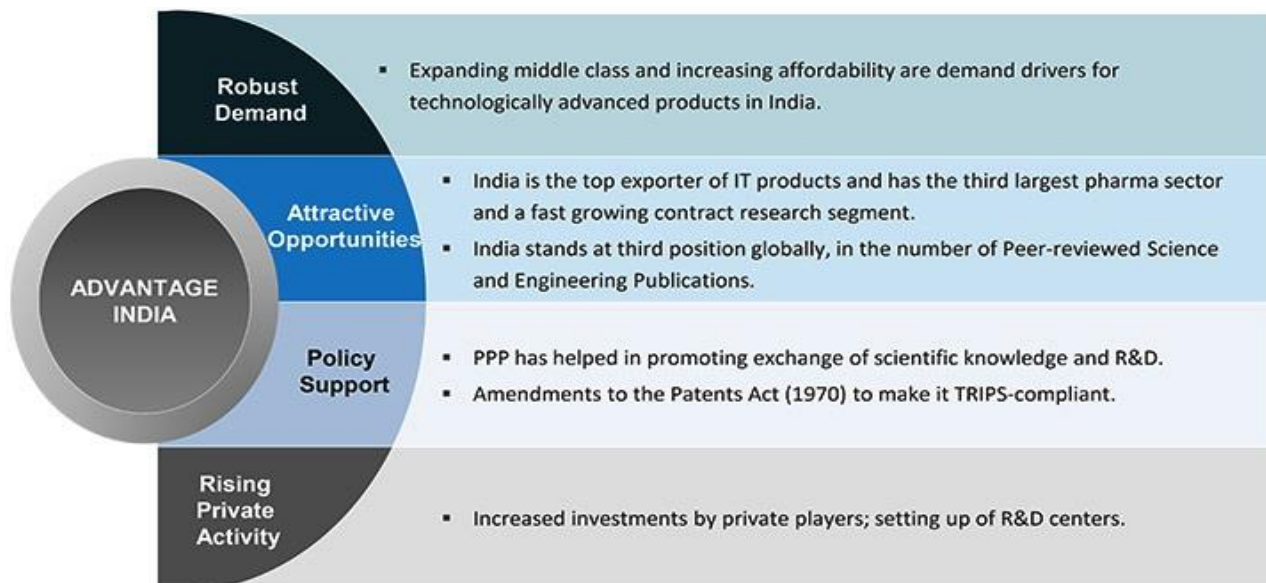
1. Emerging Opportunities are arise in Indian Business

Introduction:

Bridge or Key to remember: Liberalization -> Privatization -> Globalization -> Industrial revolution -> Emerging opportunity -> manufacturing sector -> Service sector

Introduction To the concept of Emerging Opportunity:

- India is about more, much more, than **IT and outsourcing**. There are myriad opportunities across sectors.
- India is rapidly scaling up its **infrastructure** in order to sustain its growth.
- India's **manufacturing sector** is also developing fast, with world-class companies such as **Bharat Forge, Tata Motors, and Mahindra**.
- India's **healthcare** industry will grow to over **£40 billion** in the next three years.
- India aims to train **500 million people**, which opens up a market for British skills providers.
- **Rising income** levels among **India's middle class** opens up new retail opportunities.
- The **entertainment and media** sector is expected to reach **£17.8 billion in 2018** – creating a lucrative market for technology businesses with smart IP.



[Reason of Emerging Opportunity]



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Detail Explanation of Concept:

1. ADVANCED ENGINEERING AND MANUFACTURING:

- The Indian Government's 'Make in India' campaign is perhaps the single biggest development.
- In the new government's policy making to date, bringing a new mind-set in government, changing focus to fostering investment, innovation, protecting intellectual property, and building best-in-class manufacturing infrastructure.
- India is a leading automotive manufacturer, with significant effort being placed on green technology. Defense and civil aviation is also an area of massive expansion.
- India increased foreign direct investment limits in defense to 49% and liberalised the licensing of private domestic firms to produce defense equipment to boost manufacturing in the sector

2. DIGITAL INNOVATION:

- India has the third largest internet literate population in the world today and it is estimated that there will be over 500 million internet users in India by 2018.
- However, internet penetration in India is currently only 19% and there is a significant opportunity for growth in penetration and usage base in India with the Government's Digital India initiative.
- More and more Indian consumers are adopting digital technologies and this opens up a plethora of opportunities in sectors such as finance and banking, retail, healthcare and education.
- As the Digital India initiative takes shape, demand for technology related services such as building the broadband infrastructure; creating identity solutions, payment systems, web or mobile based delivery structures and so on is expected to increase.

3. ENERGY:

- India is the fourth-largest energy consumer in the world and India's energy consumption grew at 7.1% in 2014-15, the highest rate of increase among major economies.
- Coal, oil and natural gas are the most important sources of primary energy in India.

4. FINANCIAL, LEGAL AND PROFESSIONAL SERVICES:

- The financial services sector has been an important contributor to India's GDP accounting for nearly 6% share in 2014-15.
- The audit, consulting and advisory services market, including those for professional services, in India is pegged at around £ 1 billion, and growing at 10% annually.
- The Insurance Laws (Amendment) Act which includes a key provision allowing foreign investors to increase stakes in local insurers from 26% to 49% was passed in March, 2015.
- Foreign Investments are to be allowed in Alternative Investment Funds.



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5. INFRASTRUCTURE:

- India is projected to spend some **US\$1trillion by 2020** on a spectrum of infrastructure projects – roads, ports, airports, power (including nuclear) and urban regeneration/rail, new cities and towns.
- In June, 2015 the Indian Government launched the **100 Smart City Mission (SCM)** along with two other major missions **Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** and **Housing for all by 2022**.

6. LIFE SCIENCES AND HEALTHCARE:

- Currently, on an upward growth curve, the **industry is expected to touch £123 billion in revenues** by 2018.
- An **increasingly affluent population** is spending on private healthcare, and Indian pharma and biotech companies are increasing investments and growing internationally.
- **Indian government recently permitted FDI up to 100%** under the automatic route for manufacturing of medical devices and the liberalisation of the insurance industry in India will also boost healthcare insurance.

7. RETAIL, FOODS & DRINK, AND LOGISTICS:

- The Indian retail sector is likely to grow at a compound annual **growthrate (CAGR) of 13%** to reach **£624 billion by 2018**, while online retail is estimated to grow four times to reach **USD 14.5 billion** for the same period.
- The **exponential growth of online retail** can be attributed to key factors such as increased internet penetration, proliferation of **smart phones and credit cards**, **value-add services** such as ‘**cash-on-delivery**’ and most importantly, a dramatic shift in consumer attitudes and buying behaviour.
- **India allows 100% FDI in single-brand retail and up to 51% FDI in multi-brand retail**, subject to certain conditions. 100% FDI is permitted under the automatic route for the food processing sector and for wholesale trading businesses, **inclusive of B2B e-commerce**.

8. SKILLS AND EDUCATION:

- Over the next decade India will have a **surplus manpower of 4-5 crore** and there is a need to provide this youthful manpower with skills and ability to tackle global challenges.
- In July, 2015, the Indian Government launched the Skill India Campaign which included the launch of the **National Skill Development Mission** and unveiling of the new National Policy for Skill Development and Entrepreneurship 2015.
- Targets and strategies are in place to provide **vocational qualifications to 500 million, and to create 40 million** new university places. Both by 2022.



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9. SPORTS:

- The sports sector in India grew by 10% in 2014 to ₹ 480 million.
- The growth and development of the Indian sport industry is creating opportunities in the areas of sports equipment and goods, sportswear, sports management and sports engineering professionals.

2. Introduction to the concept of Production

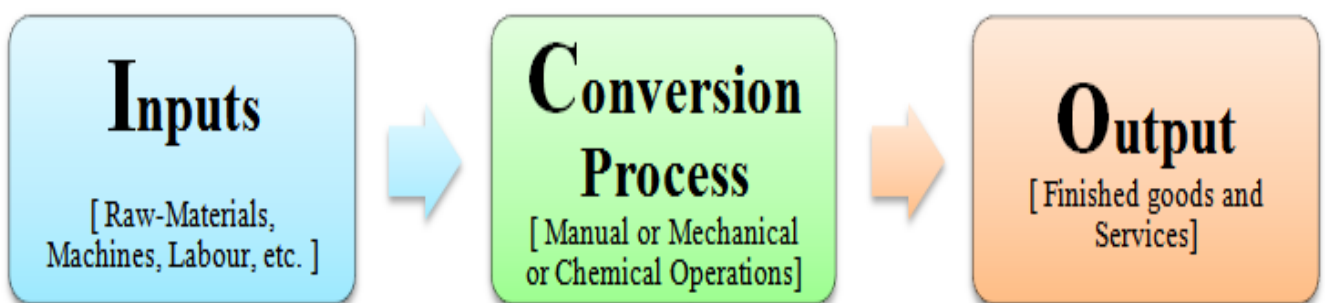
Introduction:

Bridge or key to remember: Manufacturing sector -> Production m.imp function -> input (R.M) -> Mechanical Process -> Output (finished goods & services) -> Revenue generation -> Work satisfact

Introduction To the concept of Production:

Any Activity which creates a value is called a Production.

Production is defined as “the step-by-step conversion of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user.”



[Concept Of Production]

Definitions

"Production may be defined as the creation of utilities. Anatol Murad

"Production is the process that creates utility in goods. A.H. Smith

"Production is the creation of value in a commodity." - Thomas

"Production is the creation of economic utility" - Ely

"Production means an increase in the value of a commodity." - Nicholson



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"Production is any activity which adds to the value of a nation's supply of goods and services." -

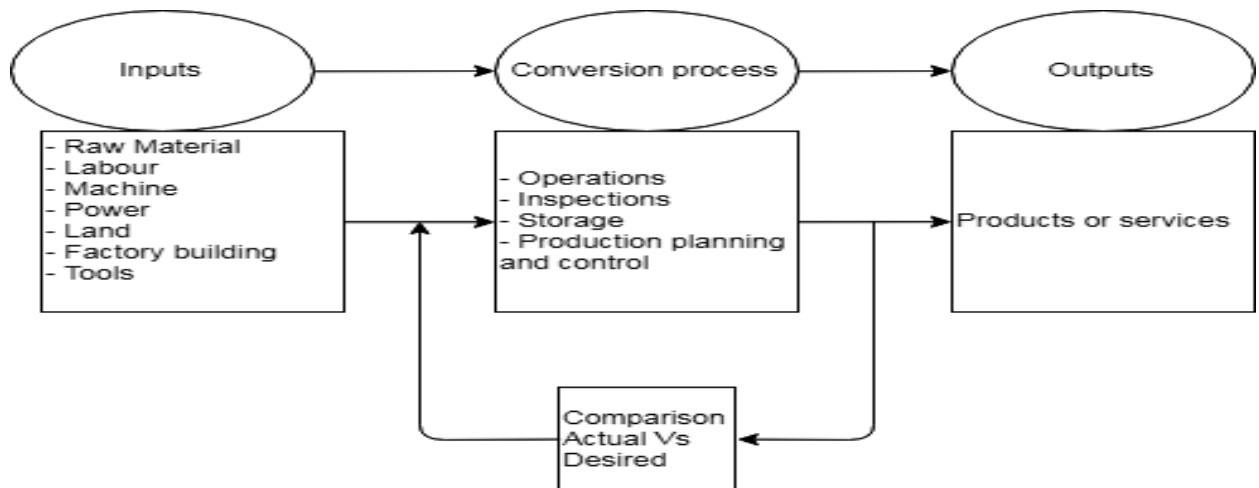
M.J.Ulmer

"Production may be defined as the process by which inputs may be transformed into output" - **Robert Awh**

"Production is a process by which goods and services are created" - **EdwoodBuffa**

Detailed Explanation of Concept of Production:

- Thus production is a **value addition process**.
- At **each stage** of processing, there will be **value addition**.
- Some **examples of production are:** manufacturing custom-made products like, boilers with a specific capacity, constructing flats, some structural fabrication works for selected customers, etc., and manufacturing standardized products like, car, bus, motor cycle, radio, television, etc.

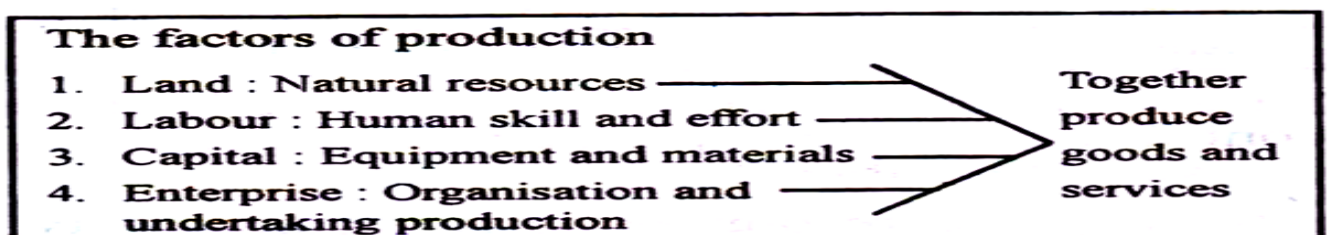


[Symbolic and simplified production system]

FOUR Factors of Production (Key : C-E-L- L)

You want to produce wheat. For the production of wheat, you require land, workers, tractor, tube well, seeds, pesticides, favorable climatic conditions and fertilizer, etc. All these are called the means of production or inputs. With the help of these, we get the output or production.

"The sources of services which enter into the process of production are called factors of production. The factors are broadly classified as **land, labor, capital, organisation and enterprise** .M.J. Ulmer.



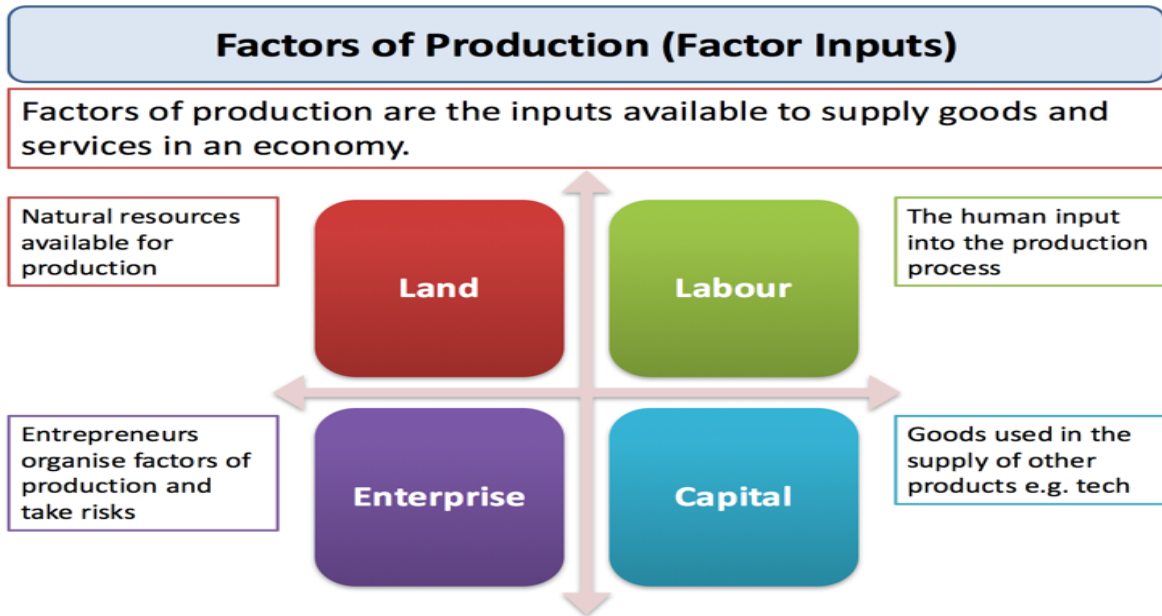


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1. **LAND:** Gifts of nature, not created by human efforts.
2. **CAPITAL:** Tools, equipment and factories used to produce goods and services.
3. **LABOR:** People with all their efforts, abilities and skills.
4. **ENTERPRENEURS:** People who take risk in search of profit ; they start new business or bring new products to market.

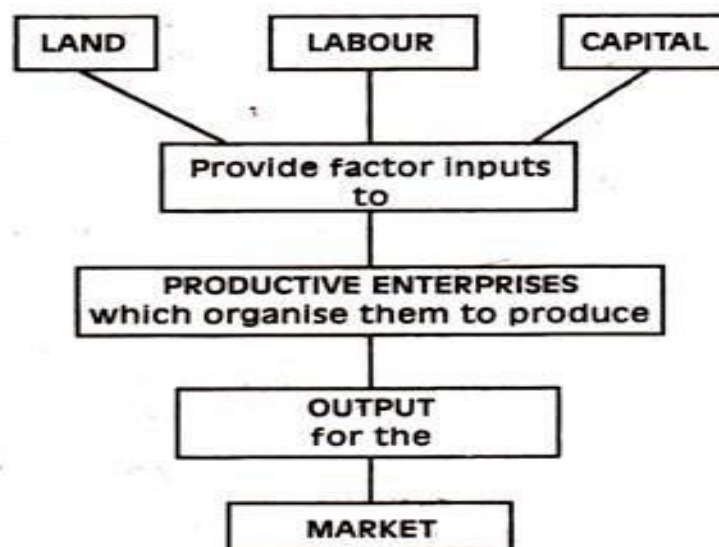


Fig. 5.1. The organisation of production



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Resources, which we shall call factors of production, are combined in various ways, by firms or enterprises, to produce an annual flow of goods and services.

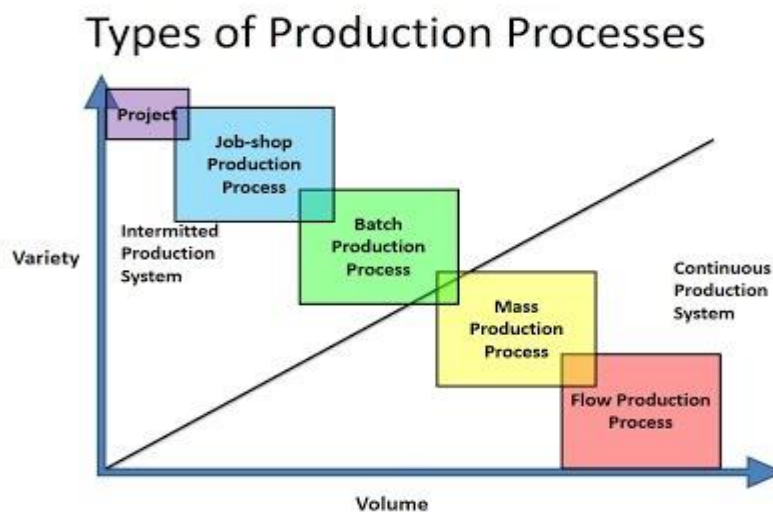
Name	Nature	Reward
Land	Any natural resources	Rent
Labour	Toil and/or skills	Wage
Capital	Man-made resource	Interest
Enterprise	Risk taking and organising	Profit

[A Classification of Factors of Production]

Each factor gets a reward on the basis of its contribution to the production process, as shown in the table.

CLASSIFICATION OF PRODUCTION SYSTEMS:

Production systems can be classified as Job-shop, Batch, Mass and Continuous production systems.



1. Job-Shop Production



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- **Job-shop production** are characterized by manufacturing one or few quantity of products designed and produced as per the specification of customers within prefixed time and cost.
- The distinguishing feature of this is low volume and high variety of products.
- A job-shop comprises of general-purpose machines arranged into different departments.
- **Each job demands unique technological requirements**, demands processing on machines in a certain sequence.

The following are examples of project- or job-based production:

- custom home construction
- haircuts
- yachts

Job-shop Production is characterized by:

1. High variety of products and low volume.
2. Use of general purpose machines and facilities.
3. Highly skilled operators who can take up each job as a challenge because of uniqueness.
4. Large inventory of materials, tools, parts.
5. Detailed planning is essential for sequencing the requirements of each product, capacities for each work centre and order priorities.

Advantages

Following are the advantages of Job-shop Production:

1. Because of general purpose machines and facilities variety of products can be produced.
2. Operators will become more skilled and competent, as each job gives them learning opportunities.
3. Full potential of operators can be utilized.
4. Opportunity exists for Creative methods and innovative ideas.

Limitations

Following are the limitations of Job-shop Production:

1. Higher **cost** due to frequent set up changes.
2. **Higher level of inventory** at all levels and hence higher inventory cost.
3. Production planning is complicated.
4. **Larger space** requirements.

2. Batch Production

- It is one of the types of production most commonly used in consumer durables, FMCG or other such industries where there are large varieties of products with variable demands.
- Batch production takes place in batches. The manufacturer already knows the number of units he needs to a manufacturer and they are manufactured in one batch.

Examples of batch production include the following:

- bakeries
- textiles
- furniture

Batch Production is characterized by



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1. **Shorter** production runs.
2. Plant and machinery are **flexible**.
3. Plant and **machinery** set up is used for the production of item in a batch and change of set up is required for processing the next batch.
4. Manufacturing lead-time and cost are lower as compared to job order production.

Advantages

Following are the advantages of Batch Production:

1. **Better utilization** of plant and machinery.
2. Promotes **functional specialization**.
3. Cost per unit is lower as compared to job order production.
4. Lower investment in plant and machinery.
5. Flexibility to accommodate and process number of products.
6. Job satisfaction exists for operators.

Limitations

Following are the limitations of Batch Production:

1. Material handling is complex because of irregular and longer flows.
2. Production planning and control is complex.
3. Work in process inventory is higher compared to continuous production.
4. Higher set up costs due to frequent changes in set up.

3. Mass Production or assembly line Production

- One of the best examples of mass production is the manufacturing process adopted by Ford.
- **Mass production is also known as flow production or assembly line production.**
- It is one of the most common types of products **used in the automobile industry** and is also used in **industries where continuous production** is required.

The following goods are mass produced:

- toilet paper
- cell phones
- automobiles



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Characteristics of Mass Production Flows

1. Continuous Flow of Production, depends on Market Demand.
2. Here, there is Limited Work-in-Progress.
3. The Supervision is Easy; Few Instructions are Necessary.
4. The Material is Handled mostly by Machines.
5. The Flow of Materials is Continuous with Little or No Queuing.

Mass Production is characterized by

1. Standardization of product and process sequence.
2. Dedicated special purpose machines having higher production capacities and output rates.
3. Large volume of products.
4. Shorter cycle time of production.
5. Lower in process inventory.
6. Perfectly balanced production lines.
7. Flow of materials, components and parts is continuous and without any back tracking.
8. Production planning and control is easy.
9. Material handling can be completely automatic.

Advantages

Following are the advantages of Mass Production:

1. Higher rate of production with reduced cycle time.
2. Higher capacity utilization due to line balancing.
3. Less skilled operators are required.
4. Low process inventory.
5. Manufacturing cost per unit is low.

Limitations

Following are the limitations of Mass Production:

1. Breakdown of one machine will stop an entire production line.
2. Line layout needs major change with the changes in the product design.
3. High investment in production facilities.
4. The cycle time is determined by the slowest operation.

4.Flow or Continuous Production

- There is a lot of confusion between mass production and continuous production.



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- It can be differentiated by a single element. The amount of mechanical work involved.
- In **Mass production, both machines and humans work in tandem.**
- However, in continuous production, most of the work is done by machines rather than humans. In continuous production, the production is **continuous, 24×7 hours**, all days in a year.

Examples of flow production:

- gas and oil
- steel
- chemicals

Features of Continuous Production System

1. Flow of Production is Continuous and not intermittent.
2. Products are Standardized.
3. Products are produced as per Quality Standards.
4. Products are produced in Anticipation of Demand.
5. Standardized routing sheets and schedules are prepared.

Continuous Production is characterized by

1. Dedicated plant and equipment with zero flexibility.
2. Material handling is fully automated.
3. Process follows a predetermined sequence of operations.
4. Component materials cannot be readily identified with final product.
5. Planning and scheduling is a routine action.

Advantages

Following are the advantages of Continuous Production:

1. Standardization of product and process sequence.
2. Higher rate of production with reduced cycle time.
3. Higher capacity utilization due to line balancing.
4. Manpower is not required for material handling as it is completely automatic.
5. Person with limited skills can be used on the production line.
6. Unit cost is lower due to high volume of production.

Limitations

Following are the limitations of Continuous Production:

1. Flexibility to accommodate and process number of products does not exist.



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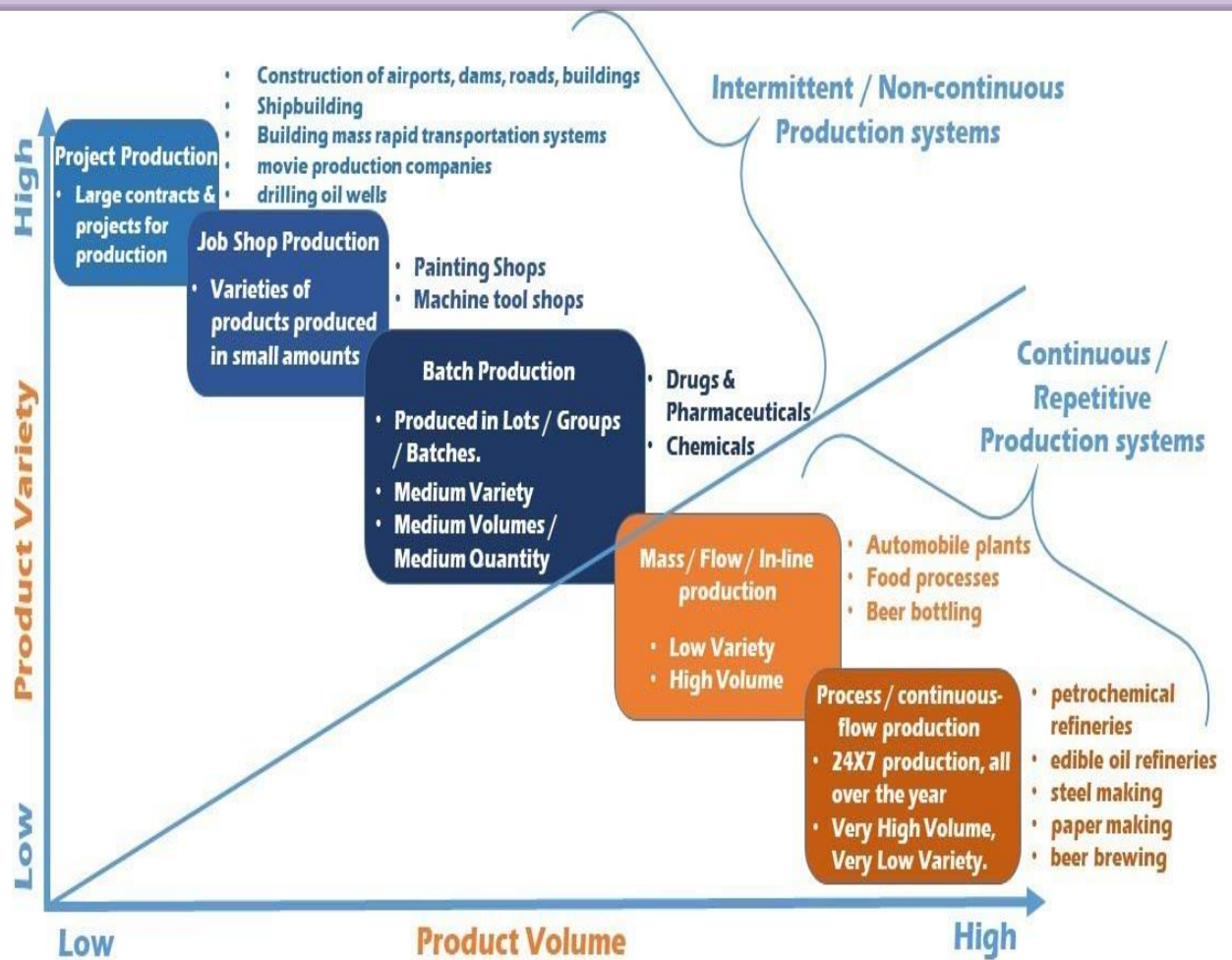
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2. Very high investment for setting flow lines.
3. Product differentiation is limited.

Summary Of all Production Process



3. Different characteristics of production.

INTRODUCTION:

(A)GENERAL CHARACTERISTICS:



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1. General use of production equipments:

The **equipments which are used** in the process of production are called production equipments. Land, labor, capital and entrepreneur are basic factors of production. An entrepreneur with the help of his skills tries to co-ordinate the **other 3 factors**; use it to produce with the least cost.

2. Goods – services:

Production is **not only limited to the manufacturing** of physical products but it also includes the production of **services**. The services of providing petroleum products, transportation, banking, insurance, etc. are also included under the scope of production.

3. Creation of utility

Production is related to the **conversion of the form of materials from its natural state**. As a result there is a change in the use of the goods. The needs of human beings are satisfied. This creates form utility, which is related to the satisfaction of human requirements.

4. Production- a process

Production is a process. **Conversion of raw materials and semi finished in to the finished goods** take place and the goods become fit for sale on consumption. Every process has a different time period and that process can be converted into form and goods.

5. Use of technology and equipments

With the help of **various machineries and scientific technology**, physical goods and services are produced. With this technology and modern machineries goods are produced today on a large scale in bulk quantity.

6. Increase in value

To convert the raw materials into finished goods, **utility value is created**. The productive factors and equipments are used. The returns are paid which increases the value. There is a change in the basic form of the product which **increases the price**.

(B)MODERN CHARCTERISTICS

1. Scientific technique

With the help of this decisions can be taken scientifically related to the **use of** machineries, raw material purchases, **coordination among productive factors** etc. scientific technique are used in the decision making related to the purchase of raw materials, storage, production planning, production control, employee related problems etc.

2. Modernization

In modern times **self controlled and modernized techniques** are used to undertake the production on a large scale. During the production process, various equipments are required. The needs of equipments depend on the productive capacity and processes.



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3. Specialization

Specialization means **efficient division of labor**. A particular work should be entrusted to one particular person. With the use of division of labor, every activity is done by experts and specialized people in their own field. Production **increases due to specialization**, efficiency also increases, production cost reduces and the quality increases.

4. Various stages in production process

Due to the technological progress and increasing specialization due to division of labor, the various stages in the production process went on increasing. The material passes through various states to get converted from their basic form. Many processes take place.

5. Different forms at each stage

Various forms are noticeable as the materials pass from one stage to its other stage. There are changes in the color, quality, shape, design and quality of the product at each stage with respect to every stage. At each stage there is an addition to its value.

6. Coordination between storage and production

The production should be done to fulfill the needs and requirements of customers. The storage should be done in optimum quality so that the utility of the goods are safeguarded. There are many aspects related to the production quantity and storage of finished goods like the fear of wastages, demand for seasonal goods, changing form of product etc.

4. Service and its characteristics.

Introduction:

✓ Meaning or introduction of concept:

1. Services are a **special form of product** which consists of **activities, benefits or satisfactions offered for sale that are intangible and do not result in the ownership of anything**.
2. Services are sometimes referred to as **intangible goods**.

✓ Explanation of concept of Services:

- **Kotler and Bloom in 1984, defined service as**, “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.
- Another definition given by **Blois in 1974 says that**, “a service is an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good”.
- They are **consumed at the point of production and they are usually non-transferable**, in the sense that the **service cannot be purchased and then resold at a different price**.



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● Importance of Services for the Indian Economy:

- Among the three important sector (viz., agriculture and allied, secondary sector and services sector), **contributing to the development of the economy of a country**, the contribution of services sector is increasing steadily over the past few years.
- With the **continuous expansion** of services sector, both in terms of **volume and diversity**, the importance of services sector has been increasing at a high speed.
- In a country like India, having a **huge size of population**, services sector has its **huge potential**.
- The following are the some importance of services in Indian Economy
 - The reason for the **growth** of the service sector is due to the **increase in urbanization**, privatization and **more demand for final and intermediate service**.
 - Contribution in **GDP more than 51.3%**
 - Higher **CAGR**(Compound Annual Growth Rate) which is higher than **8.6%** and Rapid growth of Services sector
 - A major **contributor of National income and employments generation**.
 - Service sector in future providing about **70% of new job opportunity in the economy**.
 - There is a very good scope to improve further in the service provided by the companies and the government.
 - The services sector usually covers a wide range activities from the most sophisticated **information technology** (IT) to simple services provided by the unorganized sector like the services of the plumber, mason, barber etc.
 - National Accounts classification of the **services sector incorporates trade, hotels, and restaurants; transport, storage and communication; financing, insurance, real estate, and business services; and community, social and personal services**.
 - In World Trade Organization (**WTO**) and Reserve Bank of India (**RBI**) classification, construction is also included in services sector.
 - It also **contributes towards human development**.
 - Modest growth of services sector has made ample scope for the **smooth inflow of FDI** into the country.
 - Services sector has also been playing an important role in **developing expanding and management of infrastructure** with a special emphasis on development of transportation and communication services.
 - Services sector is also playing an important role in the development and expansion of some social services like sports, cultural services etc. Sports promote **physical fitness** and develop human personality which also played an **important role in national identity, community bonding and international bonding**.



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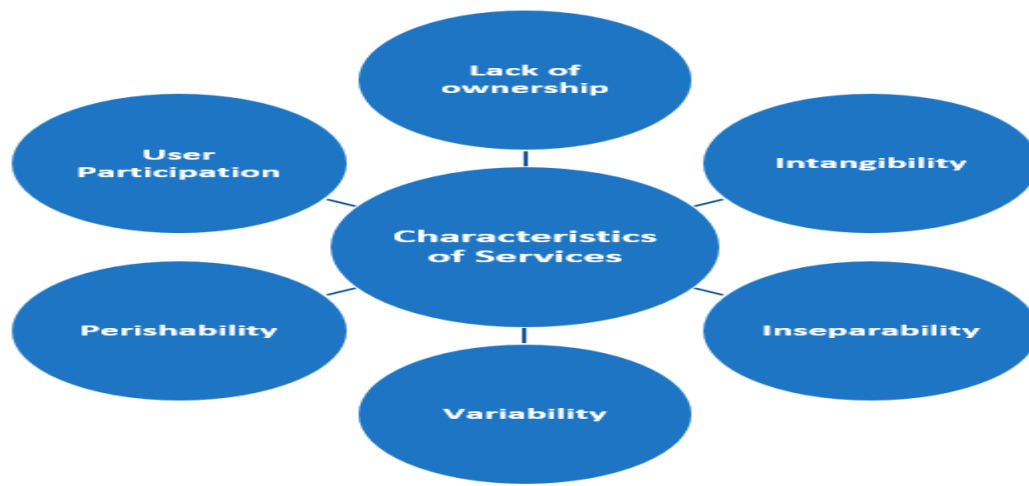
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✓ **Characteristics of services:** The four key characteristics of service businesses are: Intangibility, Inseparability, Perishability, and Variability.

- Service industries vary greatly. Not only companies do offer services, but also governments and non-profit organisations. However, all services have certain characteristics in common: the characteristics of services.



In the following, we will go into the most relevant characteristics of services. Characteristics of services apply universally to any service. The most important characteristics of services are:

- **Lack of ownership**
- **Intangibility**
- **Inseparability**
- **Variability**
- **Perishability**
- **User participation**

1. **Lack of Ownership:** Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot **own and store a service like you can a product**.
2. **Intangibility:** Service intangibility means that **services cannot be seen**, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination.
3. **Inseparability:** Which means that **services are produced and consumed at the same time**? This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. **For example, when visiting a**



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restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress etc.

4. **Variability:** It refers to the fact that the **quality of services can vary greatly**, depending on **who provides them and when, where and how**. Because of the labour-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.
5. **Perishability:** Perishability means that **services cannot be stored for later sale or use**. In other words, **services cannot be inventoried**. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone.
6. **User-participation:** Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.

✓ NEED FOR SERVICE SECTOR:-

Service sector is essential for the following reasons:-

1. **Complexity of Products.**
2. **Rising Income Levels.**
3. Increasing Number of **Working Women.**
4. Increase in **Mobility.**
5. Growth in Information Technology.
6. Health Consciousness.

✓ IMPORTANCE OR ROLE OF SERVICE SECTOR IN INDIAN ECONOMY:-

The service sector has developed as the most important sector in india. It is the largest contributor to the GDP in Indian economy. The role of service sector may be discussed as follows:-

1. Generation of Employment.
2. Helping Manufacturing and Other Services.
3. Contribution to National Income.
4. Improving Basic Facilities.
5. Earning of Foreign Exchange.
6. Improving India's Image.
7. Improving Standards of Living.

✓ REASONS FOR GROWTH SERVICE SECTOR:-



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The service sector is rapidly growing in India. The service sector is facilitating the manufacturing and distribution of **goods and services, besides transport, banking, insurance, warehousing, communication, service sector also includes hotels, restaurants, public administration, defense, community and personal services.** Service sector is growing due to the following reasons:-

1. Creation of Infrastructure.
2. Migration of Population to Urban Areas.
3. Increase in Income Levels.
4. Increase in Women Workforce.
5. Demand for Health Services.
6. Demand for Maintenance Services.
7. Demand for knowledge Economy.

5. classifications of services.

✓ Classifications of Services

Services can be segmented into clusters that share certain market relevant characteristics.

(A) **Ownership** : On the basis of this it can be classified into two forms:

1. Public sector

The services provided by the govt. or semi govt. sectors are called public sector services. It is also classified as nonprofit services and profitable institutions.

2. Private sector

In this services are provided by the private ownership org or persons are included. Such services are provided with the motive of earning profit.

(B) **Alliance with service provider**

Services are divided into two parts: person oriented service and machine oriented service.

1. Person oriented service

The service provided by the person is called person oriented service, which cannot be separated from a person. Such as medical services, education, legal, tailoring, beautician etc.

2. Machine oriented services

Those services which can be provided by the machines or tools are called machine oriented services, for which either the customer has to come to the machine is called machine oriented service. For e.g., vehicle, telephone, Xerox, x-ray machine etc.

(C) **Presence of customer**



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Generally, the customer has to go to service provider in order to obtain service, but for certain services, it becomes essential for the customer to have the direct contact with the service provider for other, it is not necessary to have the direct contact.

1. Service where customer presence is inevitable

It becomes inevitable for a patient to go to doctor in order to get the treatment.

2. Services where the customer presence is not inevitable

For e.g., vehicle repairing, typing, plumbing, etc

(D) **Objective of providing service**

Services are provided with 2 motives: profit and non profit motive.

(E) **Buying motives of customers**

The motives may be personal services and business services.

(1) **Personal services** include legal advice, medical advice etc. are obtained personally.

(2) **Business services**

In this type the business unit provides services. For e.g., health related services for the employees of the unit, appointing permanent legal advisor etc.

(F) **On the basis of market segment on end user**

1. **C2C or end consumer services** – These services are purchased by individual customer for their own consumption e.g. medicine, fitness, treatment.

2. **B2B or business consumer services** – These services are purchased by organizations e.g. company hiring another for market research.

(G) **On the basis of degree of regulation**

1. **Highly regulated** – banking, insurance, hospitals

2. **Limited regulated** – catering, fast food

3. **Non-regulated** – computer, lawncare, painting

4. Reasons for emerging opportunity arise in Indian Business.

INTRODUCTION:

There are **main 7 reason** due to that emerging opportunity arises in Indian business.

1. TECHNOLOGICAL INNOVATION AND SKILL DEVELOPMENT:-



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1. **MEANING OF INNOVATION:** - Innovation in its current connotation is a "new idea, creative thoughts, and new imaginations in the form of mechanism or technique". Innovation refers to the application of better solutions that meet new necessities, tacit needs, or existing market needs
2. **MEANING OF TECHNOLOGY:** -Technology refers to the application of skills, knowledge and ideas to the production or improvement of goods and services. Technology is the application of scientific knowledge for practical purposes. Technology uses technical means like machines, knowledge and tries to find ways and means by which these can interact with the society and environment in general.

Explanation of Concept of Technological innovation

Technology can be defined as an application of knowledge that leads to production and marketing of goods and services.

Technological innovation therefore, has the following features:

1. Generate or create a new idea which is based on technology, capability or knowledge (**invention**);
2. Develop the idea into a reality leading to building of a product (**realisation**);
3. Implement the new idea (**implementation**)

GOVERNMENT ROLE IN TECHNOLOGY DEVELOPMENT:-

1. Establishment of Technological and Research Institute.
2. **Positive** Technical Policy.
3. **High Growth Rate** of Information Technology in India.
4. **Incentive** for Promoting Technology in India.

POSITIVE IMPACTS OF NEW TECHNOLOGICAL INNOVATIONS:-

1. Elimination or Reducing Dangerous Work.
2. Creation of New Jobs and Products.
3. Increase in Skills.
4. Electronic Strength of Information.
5. Cheaper Computer Based Systems.
6. Increased Productivity .
7. Products and Services for Disabled

NEGATIVE EFFECTS OF INNOVATION AND NEW TECHNOLOGY:-

1. Rising Level of Unemployment.
2. New Jobs in Un-organised Sector.
3. Loss of Skill and Decrease in Job Satisfaction.
4. Reintroduction of Cottage industries.
5. Invasion of Privacy.

2.SKILL DEVELOPMENT:-



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Meaning:

- **Skill development means developing yourself and your skill sets to add value for the organisation and for your own career development.**
- The attitude of continuous learning and skill developing is essential for one's success in the profession.
- It requires identifying the skills needed and then seeking out training or on-the-job opportunities for developing those skills.



[Skill development initiative of government of India]

Aims of Skill Development Programme:-

1. Enhancing individuals' employability (wage/self employment) and ability to adapt to changing technologies and labour market demands.
2. **Improving productivity and living standards** of the people.
3. **Strengthening competitiveness of the country.**
4. **Attracting investment in skill development.**

The objectives of the national policy on skill development are to :-

1. Create opportunities for all to acquire skills throughout life, and especially for youth, women and disadvantaged groups.
2. Promote commitment by all stakeholders to own skill development initiatives.
3. **Develop a high-quality skilled workforce /entrepreneurs** relevant to current and emerging employment market needs.
4. Enable **the establishment of flexible delivery mechanisms** that respond to the characteristics
Of a wide range of **needs of stakeholders.**



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4. Enable effective coordination between different ministries, the Centre and the States and public and private providers.

3.MAKE IN INDIA MOVEMENT:-

INTRODUCTION to the concept of Make in India Movement

'Make in India' with 'Zero Defect & Zero Effect'
GOVT KEEN TO PROMOTE QUALITY MANUFACTURING...

QUALITY standards in the works for key sectors	STANDARDS creation to complement 'Make In India'
10 PRODUCTS each in 25 focus sectors of the scheme	BUREAU of Indian Standards to devise norms
DIPP & DCA in talks on selection of products	TIMELINES for implementation to be decided after talks

The infographic also features an illustration of a factory with a tall chimney and a group of people standing in front of a large gear.

[Key Highlights of Make in India]

- The 'Make in India' programming was actually **launched by Prime Minister Narendra Modi on 25th of September, 2014 in New Delhi.**
- The main idea behind this programme was to encourage growth of manufacturing sector which was lacking behind for quite some time.
- This sector creates more jobs as compared to other sectors but it was showing negative growth at times. The growth of China happened mainly due to the growth of manufacturing sector.
- **Purpose** of launching this campaign is to **make India a destination of global manufacturing hub.**



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- In order to make this campaign a success, the PM of India meet the top 40 CEOs of several fortune 500 companies. This plan was launched in the presence of top CEOs from India Inc. Ambassadors, international industry leaders, ministers, govt. officials etc. This campaign aims to attract top companies of well identified countries.
- A unit of the Commerce Ministry named '**Invest India**' has been set up which is guiding all the top foreign investors in terms of regulatory and policy issues as well as to assist in obtaining the regulatory clearances.

Awaiting Makeover

THEME OF NEW CAMPAIGN
INDIA HOSTING the second industrial revolution

AIM
TO REACH OUT TO global media, manufacturers, investors, foster innovation and develop skills

AGENCY'S JOB
TO COME UP with a campaign with more global appeal
WILL BE RESPONSIBLE for build-up of social media followers
MANAGE THE CONTENT on the portal of Make in India

MONEY MATTER
Less than ₹3 cr spent on Make in India campaign since its launch in September 2014

MAKE IN INDIA

FEATURES OF MAKE IN INDIA PROGRAMME:-

1. Offering Opportunities.
2. Favourable place for Development.
3. Offering Ease in Doing Business.
4. Development of Infrastructure.
5. Economic Reforms.
6. Clarity on Policy Planning.
7. No Trust Deficit.

SECTORS IDENTIFIED UNDER MAKE IN INDIA PROGRAMME:-

These are the sectors where likelihood of FDI (foreign direct investment) is the highest and investment shall be promoted by the government of India.

1. Automobiles.
2. Automobile Companies.
3. Aviation.
4. Biotechnology.
5. Chemicals.
6. Construction.
7. Defence Manufacturing.
8. Electrical Machinery.
9. Electronic Systems.
10. Food Processing.
11. Information Technology.



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12. Leather.
13. Media & Entertainment.
14. Mining.
15. Oil & Gas.
16. Pharmaceuticals.
17. Ports.
18. Railways.
19. Renewable Energy.
20. Roads & Highways.
21. Space.

22. Textile & Garments.
23. Thermal Power.
24. Tourism & Hospitality.
25. Wellness.

HIGHLIGHTS



- Eliminating the unnecessary laws and regulations
- Time-bound project clearances through a single online portal

Benefits from Make in India Campaign

- This will help in creating job market for over 10 million people in India
- Manufacturing done here would boost India's GDP, trade and economic growth

INITIATIVES BY THE GOVERNMENT FOR IMPLEMENTING MAKE IN INDIA:-

1. Time Bound Project Clearance.
2. Easing Policies and Laws.
3. Investor Facilitation Cell.
4. Identifying Domestic Entrepreneurs.
5. Department of Skill Development and Entrepreneurship.
6. Workshop for Facilitating Implementation.

INCENTIVES OFFERED FOR MAKE IN INDIA PROGRAMME:- The Central government as well as the State governments provide a number of incentives from time to time. Some of the incentives provided include:

1. Central Government Incentives.
2. State Government Incentives.
3. National Investment and Manufacturing Zones (NIMZ).



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- **Incentives for making Make in India a reality by the government of India in terms of direct and indirect financial benefits include:-**
 1. Transfer of Assets.
 2. Green Technology and Practices.
 3. Technology Development.
 4. Special Benefits to SMEs.
 5. Government Procurement.
 6. Industrial Training and Skill Up gradation Measures.
 7. Exit Mechanism.
- **In addition to the above stated incentives, special dispensations have been envisaged for NRI investments in the following areas:-**
 1. Construction Development.
 2. Ground Handling and Air Transport Services.
 3. NRI investing on non-reparable basis.
 4. FDI from Nepal & Bhutan is now allowed in Indian rupees.

ADVANTAGES/BENEFITS OF MAKE IN INDIA PROGRAMME:-

1. Development of Industrial Sector.
2. Generation of Employment.
3. Availability of Goods.
4. Increasing Growth Rate.
5. Increasing Foreign Direct Investments.
6. Enhanced Goodwill of the Country.



STEPS REQUIRED FOR THE SUCCESS OF MAKE IN INDIA:-

- In order to make this movement succeed, a number of steps will be required to be taken. According to the **CII-BCG manufacturing Leadership Survey 2014**, while 44% CEOs feel highly confident in the 'Make in India' campaign, would need bold and sustained measures by the both public and private sectors.



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- In order to achieve a manufacturing **led transformation**, India would need to undertake a well planned and structured approach. There is a need to take steps in the following areas:-
 1. **Revive Manufacturing.**
 2. **Gain Global Competitiveness**
 3. **Claim Global Leadership.**


MAKE IN INDIA:-UPCOMING CHALLENGES:-

1. Creating Healthy Business Environment.
2. Tackling Factors Affecting Competitiveness.
3. Encouraging Small and Medium Enterprises.
4. Keeping Edge on China.
5. Encourage Technology and Research.

DIFFICULTIES/OBSTACLES IN MAKE IN INDIA PROGRAMME:-

1. Acquisition of Land.
2. Competition from China.
3. Complicated Labour Laws.
4. Bad Health of Banking Sector.
5. Adverse Economic Scenario.

The 'Make in India' Campaign



- Launched in September 2014 by Prime Minister Narendra Modi
- Aims to bolster manufacturing's share of GDP to 25% by 2022 and create 100 million jobs
- Highlights 25 priority sectors including railways, roads, pharmaceuticals and defense
- Designed to attract foreign investment and turn India into a global manufacturing hub

[Key Highlights of Make in India Movement]

4.SOCIAL RESPONSIBILITY OF BUSINESS:



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CONCEPT:-

- ✓ “CSR is about business giving back to society.”
- ✓ A number of significant changes are taking place in social, political and other aspects.
- ✓ The role of business is being re-examined in the light of these developments.
- ✓ There is an **effort to improve the quality of goods supplied to the society.**
- ✓ The research and development programmes are directed to find out way and means for improving the quality of living of the society.
- ✓ The only aim of business is no more ‘**profit maximisation**’.
- ✓ **Social responsibility refers to the obligations and duties of business to the society.**
- ✓ **In the words of K.K.Andrew**, “Social responsibility may be taken to mean intelligent and objective concern for the welfare of the society.”
- ✓ **Howard R. Bowen** is of the view that social responsibility is the obligation of the decision-makers to take actions which protect and improve the welfare of the society as a whole along with their own interests.

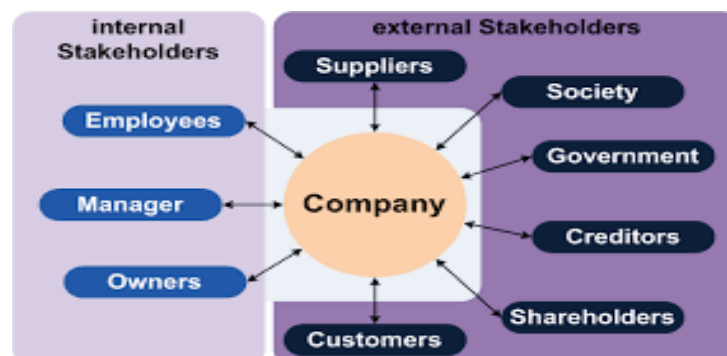
FACTORS RESPONSIBLE FOR THE REALISATION OF SOCIAL RESPONSIBILITY:-

1. Market Forces.
2. Government Intervention.
3. Emergence of Professional Managers.
4. Growth of Trade Unions.
5. Public Scrutiny.

SOCIAL ISSUES FOR BUSINESS:- A feeling has come to stay that business does not operate only to promote and protect its own interest. It has to do something for the society on which it is entirely dependent.

1. No discrimination in employment.
2. Support for educational institutions.
3. Help for charitable causes.
4. Modernizing Facilities.
5. Controlling use of hazardous products.

RESPONSIBILITY OF BUSINESS TOWARDS DIFFERENT INTEREST GROUPS:-





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A business is responsible to safeguard the interests of following sections:-

- 1.Shareholders.
- 2.Employees.
- 3.Government.
- 4.Community.
- 5.Environment.
- 6.Consumers.

Benefits of Corporate Social Responsibility:



5.FRANCHISING:-

- ◆ **Meaning:** an authorization granted by a government or company to an individual or group enabling them to carry out specified commercial activities, for example acting as an agent for a company's products.
- ◆ "Toyota granted the group a franchise".

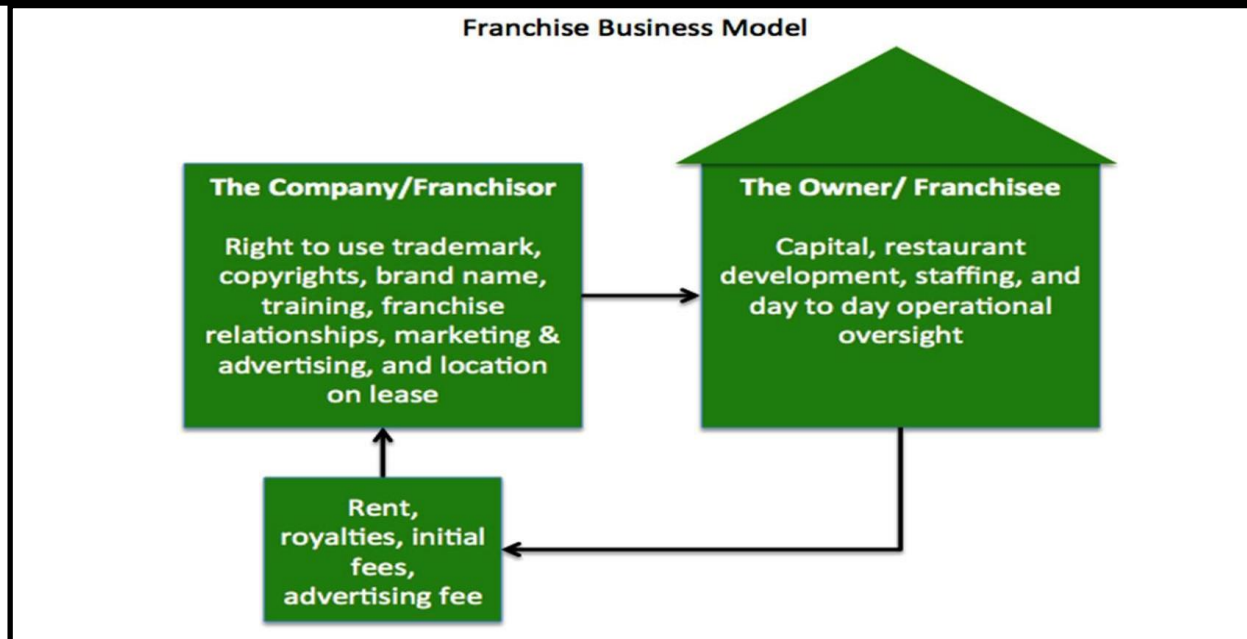


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Explanation of Concept of Franchising:

- ✓ **Definition:** A franchise is the license to make or sell a product under certain conditions granted by the owner of these rights.
- ✓ **In other words,** a franchise is the right to produce a licensed product by the owner of the license. In this contact, the franchisee pays the franchiser for the right to use the licensed material.
- ✓ **Franchising is basically a right which manufacturers or businesses give to others.** This right allows the beneficiaries to sell the products or services of these manufacturers or parent businesses.
- ✓ The **individual or business that grants the right to the franchise is called the franchisor, while the beneficiary of the right is called the franchise.** Franchising is a business marketing strategy to cover maximum market share.
- ✓ Franchising is a business relationship between two entities wherein one party allows another to sell its products and intellectual property. For example, several fast food chains like Dominos and McDonalds operate in India through franchising.

Examples of Franchising in India

- McDonald's
- Dominos
- KFC
- Pizza Hut
- Subway
- Dunkin' Donuts
- Taco Bell
- Baskin Robbins



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- Burger King



Functioning of Franchising

- ✓ Under a franchise, the **two parties generally enter into a Franchise Agreement**. This agreement allows the franchisee to **use the franchisor's brand name and sell its products or services**. In return, the franchisee pays a fee to the franchisor.
- ✓ The franchisee may **sell these products and services by operating as a branch of the parent company**. It may even use franchising rights by selling these products under its own business venture.
- ✓ The franchisor **may grant franchising rights to one or several individuals or firms**. Consequently, if just one person gets these rights, he becomes the exclusive seller of the franchisor's products in a specific market or geographical limit.
- ✓ In return, the franchisor supplies its products, services, technological know-how, brand name and trade secrets to the franchisee. It even provides training and assistance in some cases.

Features of Franchising

- ✓ **Firstly, under a franchising agreement, the franchisor grants permission** to the franchisee to use its intellectual properties like patents and trademarks.
- ✓ **Secondly, the franchisee in return pays a fee (i.e. royalty)** to the franchisor and may even have to share a part of his profits. On the contrary, the franchisor provides its goods, services, and assistance to the franchisee.



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- ✓ **Finally, both parties in a franchise sign a franchising agreement.** This agreement is basically a contract that states terms and conditions applicable with respect to the franchise.

Types:

Franchising arrangements are broadly classified into three types:

1. **Product Franchising**
2. **Manufacturing Franchising**
3. **Business-Format Franchising**

1. **Product Franchising:**

- This is the earliest type of franchising. Under this, dealers were given the right to distribute goods for a manufacturer.
- For this right, the dealer pays a fee for the right to sell the trademarked goods of the producer.
- Product franchising was used, perhaps for the first time, by the Singer Corporation during the 1800s to distribute its sewing machines.
- This practice subsequently became popular in the petroleum and automobile industries also.

2. **Manufacturing Franchising:**

- Under this arrangement, the franchisor (manufacturer) gives the dealer (bottler) the exclusive right to produce and distribute the product in a particular area.
- This type of franchising is commonly used in the soft-drink industry.

3. **Business-format Franchising:**

- This is recent type of franchising and is the most popular one at present.
- This is the type that most people today mean when they use the term franchising.
- In the United States, this form accounts for nearly three-fourth of all franchised outlets.

Advantages of Franchising:

- (i) Access to quality training and ongoing support;
- (ii) Established concept with reduced risk of failure;
- (iii) Access to extensive advertising;
- (iv) Access to lower cost and possibly centralised buying;
- (v) Few start-up problems;
- (vi) Possibly easier to finance;
- (vii) Use of well-known trademark or trade name.

Disadvantages of Franchising:

- (i) Costs of supplies or materials may be more expensive;
- (ii) Possible exaggeration of franchisor advantages;
- (iii) Franchisor may saturate franchisee territory;
- (iv) Cost of franchise and other fees may reduce franchisee profit margins;



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- (v) Termination policies of franchisors may allow little security;
- (vi) Onerous reporting requirements; and
- (vii) Inflexibility due to restrictions imposed by franchisor.

Benefits of Franchisee

- **Increasing Brand Fairness:** Leveraging off the assets of franchisees helps franchisors grow their market share and brand equity more quickly and effectively.
- **Publicity and Support:** Franchisor will reach the target customer more effectively through co-operative advertising and promotion initiatives.
- **Consumer Faithfulness:** Franchisors use the power of franchising as a system to build customer loyalty to catch the attention of more customers and to keep them.
- **Worldwide Growth:** International expansion is easier and quicker, since the franchisee possesses the local market knowledge.
- **Capital:** The franchisor's capital requirements will be lesser because the franchisees provide the capital to open each franchised channel.
- **Better Management:** The local management of each franchised unit will be highly motivated and very helpful. They care for the franchise units as their own and that will frequently lead to higher sales and profit levels.
- **Less Employees:** The number of employees which a franchisor needs to operate a franchise network is much smaller than they would need to run a network of company owned units.
- **Speed of Expansion:** The franchise network can grow as fast as the franchisor can develop its infrastructure to recruit, train and support its franchisees.
- **Reduced Attachment in Day-To-Day Operations:** The franchisor will not be drawn in the day-to-day operations of each franchised outlet.
- **Risks and Accountability:** The franchisor will not risk its capital and will not have to sign lease agreements, employment agreements, etc.

6. OUTSOURCING OF SERVICES (BUSINESS PROCESS OUTSOURCING):-



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[Example to understand concept of Outsourcing]

Meaning of outsourcing:-

- Services are the benefits which are passed on to the consumers. A businessman may ask an outside agency to perform some activity on his behalf.
- The service provider is paid for the service and the receiver devotes energy for some other important activity or core activity.
- In the words of Kotler and Armstrong, “A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything”.
- Under outsourcing the things are got done from outside sources instead of creating them within the organization.
- Outsourcing means contracting out non-core and routine activities to outside agencies with a view to benefitting from their expertise, experience and efficiency.

- For instance, a firm may outsource the advertising activity to an advertising agency instead of setting up its own advertising department. Such other related services may also be outsourced for better quality and economy.
- **Why Does Outsourcing Matter?:-** The decision to outsource usually stems from a focus on lowering costs and improving the efficient allocation of resources within a company. Outsourcing allows a company to redirect its attention to its own competencies and hire outside resources to handle other tasks. However, outsourcing requires a high degree of standardization and management control in order to be effective.



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Outsourcing is referred to as an emerging mode of business because of the following two reasons:

- It is comparatively a new mode of doing business.
- It is continuously evolving. BPO and KPO are gaining popularity.

Nature of Outsourcing:

1. **Outsourcing involves contracting out some work to other firms**– Many of the business firms are now being entrusted to outside agencies on a contractual basis. e.g., sanitation or housekeeping.
2. **Non-core activities are generally outsourced** – Let us understand the same activity in two different companies which becomes different activity. Sanitation and housekeeping are considered as non-core activities in case of manufacturing firms and so are outsourced. But housekeeping is a core activity for a hotel so is performed in house.
3. **Business processes may be outsourced to a captive unit or a third party** – A big company having many plants may create a separate unit to perform certain common services or functions. Examples: recruitment, selection, training, customer care support services, etc. may be transferred to a separate unit created for this purpose. So such services may be outsourced to external agencies.
4. **Outsourcing is popularly associated with IT enabled services (ITES)** – These are known as BPO. There has been tremendous growth in the number and size of call centres which provide customer oriented voice based services to their clients.
5. **Business Process Outsourcing (BPO)**: Outsourcing is popularly associated with IT enabled services (ITES) is known as BPO. Customer care accounts for the bulk of call centre activities with 24*7 handling of inbound and out-bound activities. The basic feature of BPO is that companies hire out on contract those services which are to be performed on a regular basis.
6. **Scope of BPO**
 1. Customer support services
 2. Telemarketing services
 3. Administrative support services
 4. Customer relations management
 5. Accounting services
 6. Human resource management.

NEED AND IMPORTANCE OF OUTSOURCING:-

1. Thrust on Core Areas.
2. Use of Specialised Services.
3. Economical.
4. Better Service.
5. Avoiding Labour Problems.
6. Saving on Infrastructure.



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7. Lowering Risk Chances.

8. Temporary Services.

KEY BENEFITS :-

1. Companies use outsourcing to cut labor costs, including salaries for its personnel, overhead, equipment, and technology.
2. Outsourcing is also used by companies to dial down and focus on the core aspects of the business, spinning off the less critical operations to outside organizations.
3. On the downside, communication between the company and outside providers can be hard, and security threats can amp up when multiple parties can access sensitive data.
4. Companies use outsourcing to cut labor costs and business expenses, but also to enable them to focus on the core aspects of the business.



Examples of Outsourcing

Outsourcing's biggest advantages are time and cost savings. A manufacturer of personal computers might buy internal components for its machines from other companies to save on production costs. A law firm might store and back up its files using a cloud-computing service provider, thus giving it access to digital technology without investing large amounts of money to actually own the technology.

7.E-COMMERCE:-

- **MEANING OF E-commerce:** -Commercial transactions conducted electronically on the Internet.

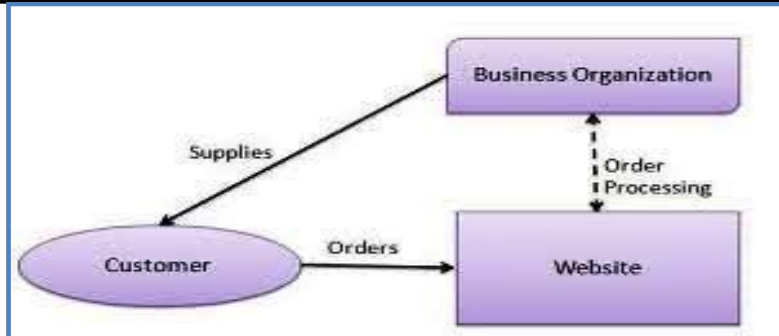


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- This is happening due to rapid economic developments taking place all over the world. There are three trends taking place which are shaping the recent business. These trends may be described as digitization or use of electronic methods of doing business, outsourcing and globalisation.

Comparison Table:

BASIS	TRADITIONAL COMMERCE	E-COMMERCE
Meaning	Traditional Commerce comprises to be a branch of trade, which concentrates on the exchange of goods and services.	E-commerce means executing the transactions or exchange of data, on the internet.
Accessibility	Limited	Any time
Scope	Restricted to a definite area	Across the globe
Business Relationship	Linear	End-to-end
Marketing	One way	One to one
Payment	Cash, Debit or Credit card, cheque, etc.,	Debit or Credit card, NEFT or Cash on Delivery (COD) etc.,
Delivery of products	Instantly	Takes some time

MEANING OF E-COMMERCE:-

- Ecommerce, also known as **electronic commerce or internet commerce**, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions.



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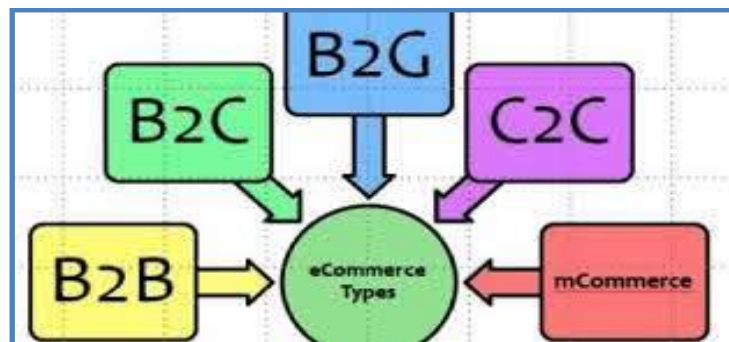
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- E-commerce (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet.

Types of E-Commerce Models

Electronic commerce can be classified into four main categories. The basis for this simple classification is the parties that are involved in the transactions. So the four basic electronic commerce models are as follows,



1. **Business to Business:** This is Business to Business transactions. Here the companies are doing business with each other. The final consumer is not involved. So the online transactions only involve the manufacturers, wholesalers, retailers etc.
2. **Business to Consumer:** Here the company will sell their goods and/or services directly to the consumer. The consumer can browse their websites and look at products, pictures, read reviews. Then they place their order and the company ships the goods directly to them. Popular examples are Amazon, Flipkart, Jabong etc.
3. **Consumer to Consumer:** where the consumers are in direct contact with each other. No company is involved. It helps people sell their personal goods and assets directly to an interested party. Usually, goods traded are cars, bikes, electronics etc. OLX, Quikretc follow this model.
4. **Consumer to Business:** This is the reverse of B2C, it is a consumer to business. So the consumer provides a good or some service to the company. Say for example an IT freelancer who demos and sells his software to a company. This would be a C2B transaction.
5. **mCommerce:** M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smartphones and tablets. As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer.

BENEFITS OF E-COMMERCE:-

1. Ease of formation and lower investment required.
2. Convenience
3. Speed
4. Global reach
5. Cost saving
6. Movement towards paperless society.

LIMITATIONS OF E-COMMERCE:-



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1. Low personal touch
2. Delay in delivery
3. Risk
4. Requirement of hardware
5. Low ethics.



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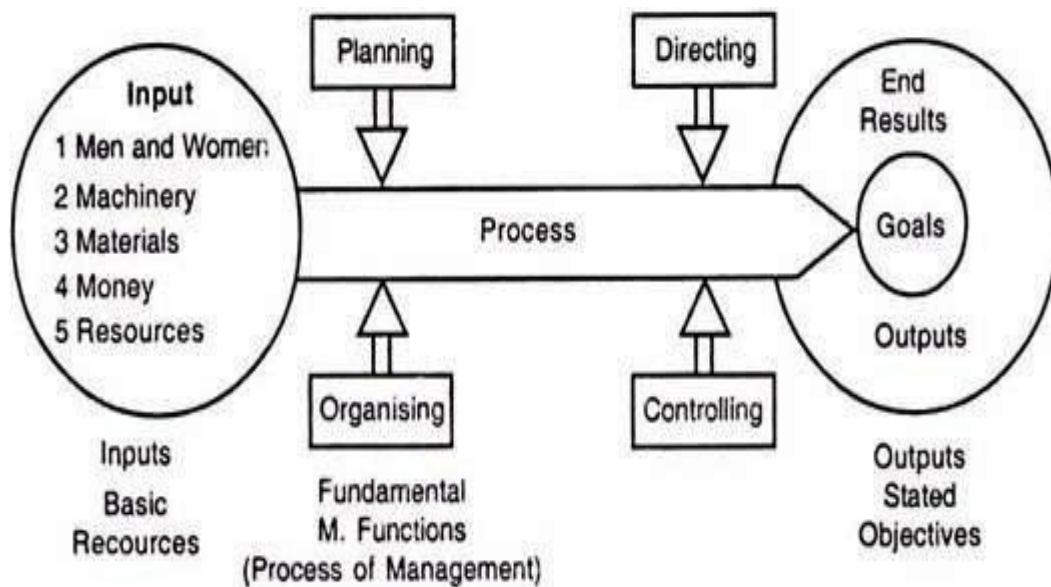
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UNIT –2. MANAGEMENT

Features or characteristics of management:

Meaning of Management:

1. **Management as a Noun:** refers to a Group of Managers.
2. **Management as a Process:** refers to the Functions of Management i.e. Planning, Organising, Directing, Controlling, etc.
3. **Management as a Discipline:** refers to the Subject of Management.



[Entire process of Management]

- Management is an individual or a group of individuals that accept responsibilities to run an organisation.
- They Plan, Organise, Direct and Control all the essential activities of the organisation.
- Management does not do the work themselves. They motivate others to do the work and co-ordinate (i.e. bring together) all the work for achieving the objectives of the organisation.



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Definition of Management

- "Management is the art of getting things done through and with people in formally organised groups." - Mary Parker Follet
- "Management is the art of getting things done through people. - Harold Koontz.
- "Management is a multi-purpose organ that manages business and manages managers and manages workers and work." - Peter Drucker
- According to (Management Innovations, 2008) “management is the process of reaching organizational goals by working with and through people and other organizational resources”.
- **Management has the following 3 characteristics:**
 1. It is a process or series of continuing and related activities.
 2. It involves and concentrates on reaching organizational goals.
 3. It reaches these goals by working with and through people and other organizational resources.
- In addition, Management brings together all Six Ms i.e. **Men and Women, Money, Machines, Materials, Methods and Markets**. They use these resources for achieving the objectives of the organization such as high sales, maximum profits, business expansion, etc.



[6 M of Management]



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Features of Management

Features of Management

1. Continuous and Never Ending Process.
2. Art of Getting Work Done from People.
3. Is Result-Oriented.
4. Multidisciplinary in Nature.
5. Group and Not an Individual Activity.
6. Follows Established Principles or Rules.
7. Aided but Not Replaced by Computers.
8. Situational in Nature.
9. Separate from Ownership.
10. Both an Art as well as a Science.
11. Is All Pervasive.
12. Intangible but its Impact is Felt.
13. Uses a Professional Approach in Work.
14. Dynamic in Nature.

Now, let's briefly discuss each feature of management.

1. **Continuous and never ending process:** Management is a Process. It includes four main functions, viz., Planning, Organising, Directing and Controlling. The manager has to Plan and Organise all the activities. He had to give proper Directions to his subordinates. He also has to Control all the activities. The manager has to perform these functions continuously. Therefore, management is a continuous and never-ending process.
2. **Getting things done through people:** The managers do not do the work themselves. They get the work done through the workers. The workers should not be treated like slaves. They should not be tricked, threatened or forced to do the work. A favorable work environment should be created and maintained.
3. **Result oriented science and art:** Management is result oriented because it gives a lot of importance to "Results". Examples of Results like, increase in market share, increase in profits, etc. Management always wants to get the best results at all times.



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4. **Multidisciplinary in nature:** Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.
5. **A group and not an individual activity:** Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve group (owners) objectives. It tries to satisfy the needs and wants of a group (consumers). Nowadays, importance is given to the team (group) and not to individuals.
6. **Follows established principles or rules:** Management follows established principles, such as division of work, discipline, unity of command, etc. These principles help to prevent and solve the problems in the organization.
7. **Aided but not replaced by computers:** Nowadays, all managers use computers. Computers help managers to make accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes final responsibility. Thus Management is aided (helped) but not replaced by computers.
8. **Situational in nature:** Management makes plans, policies, and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, decisions, and styles for different situations. The manager first studies the full present situation. Then he draws conclusions about the situation. Then he makes plans, decisions, etc., which are best for the present situation. This is called Situational Management.
9. **Need not be an ownership:** In small organizations, management and ownership are one and the same. However, in large organizations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.
10. **Both an art and science:** Management is result-oriented. Therefore, it is an Art. Management conducts continuous research. Thus, it is also a Science.
11. **Management is all pervasive:** Management is necessary for running a business. It is also essential for running a business, educational, charitable and religious institutions. Management is a must for all activities, and therefore, it is all pervasive.
12. **Management is intangible:** Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realized by its results. The success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and vice-versa.
13. **Uses a professional approach in work:** Managers use a professional approach to get the work done from their subordinates. They delegate (i.e. give) authority to their subordinates. They ask their subordinates to give suggestions for improving their work. They also encourage subordinates to take the initiative. Initiative means to do the right thing at the right time without being guided or helped by the superior.
14. **Dynamic in nature:** Management is dynamic in nature. That is, management is creative and innovative. An organization will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.



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2. various objectives of Management.

Intoduction:

The broad purposes or objectives of the management are as follows:

1. Optimum utilisation of resources:

- The most important objectives of the management are to use various resources of the enterprise in a most economic way.
- The proper use of men, materials, machines, and money will help a business to earn sufficient profits to satisfy various interests i.e. proprietor, customers, employees and others.
- All these interests will be served well only when physical resources of the business are properly utilized.

2. Growth and development of business:

- By proper planning, organisation and direction etc., management leads a business to growth and development on sound footing.
- It helps in profitable expansion of the business. It provides a sense of security among the employers and employees.

3. Better quality goods:

- The aim of the sound management has always been to produce the better quality products at minimum cost. Thus, it tries to remove all types of wastages in the business.

4. Ensuring regular supply of goods:

- Another objective of management is to ensure the regular supply of goods to the people. It checks the artificial scarcity of goods in the market. Hence, it keeps the prices of goods within permissible limits.

5. Discipline and morale:

- The management maintains the discipline and boosts the morale of the individuals by applying the principles of decentralisation and delegation of authority.
- It motivates the employees through monetary and non-monetary incentives. It helps in creating and maintaining better work culture.

6. Mobilising best talent:

- The employment of experts in various fields will help in enhancing the efficiency of various factors of production.
- The better pay scales, proper amenities, future growth potentialities will attract more people in joining a concern.

7. Promotion of research and development:



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- Management undertakes the research and development to take lead over its competitors and meet the uncertainties of the future. Thus, it provides the benefits of latest research and technology to the society.

8. Minimise the element of risk:

- Management involves the function of forecasting.
- Management always keeps its ears and eyes to the changing circumstances.

9. Improving performance:

- Management should aim at improving the performance of each and every factor of production.
- The environment should be so congenial that workers are able to contribute their maximum to the enterprise.
- The fixing of objectives of various factors of production will help them in improving their performance.

10. Planning for future:

- Another important purpose of management is to prepare a prospective plan.
- Future plans should take into consideration what is to be done next.
- Future performance will depend upon present planning. So, planning for future is essential to every organisation.

3. Principles of Management.

Key to Remember 14 Principles. (DAD U C USSR? O I SEE).

- Management is essential to any organization that wishes to be efficient and achieve its aims.
- Common sense dictates that without these principles of management being in place an organization would have trouble achieving its aims, or even coming up with aims in the first place!
- A classic theory on the principles of management was written by Henri Fayol. It seeks to divide management into 14 principles.



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Henri Fayol's 14 Principles of Management

- 1 • Division of Work
- 2 • Authority and Responsibility
- 3 • Discipline
- 4 • Unity of Command
- 5 • Unity of Direction
- 6 • Subordination of Individual Interest
- 7 • Remuneration
- 8 • The Degree of Centralization
- 9 • Line of Authority/Scalar Chain
- 10 • Order
- 11 • Equity
- 12 • Stability of Tenure of Personnel
- 13 • Initiative
- 14 • Esprit de Corps/Team Spirit



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Principles of Management – Fayol's 14 Principles

1. **Division of Work** – This principle of management is based on the theory that if workers are given a specialized task to do, they will become skillful and more efficient in it than if they had a broader range of tasks. Therefore, a process where everyone has a specialized role will be an efficient one.
2. **Authority** – This principle looks at the concept of managerial authority. It looks at how authority is necessary in order to ensure that managerial commands are carried out. If managers did not have authority then they would lack the ability to get work carried out. Managers should use their authority responsibly and ethically.
3. **Discipline** – This principle relates to the fact that discipline is needed within an organization for it to run effectively. Organizational rules, philosophies, and structures need to be met. In order to have disciplined workers, managers must build a culture of mutual respect and motivation.
4. **Unity of command** – There should be a clear chain of command in place within an organization. An employee should know exactly whose instructions to follow.
5. **Unity of direction** – Work should be organized in a way that means employees are working in harmony toward a shared objective or goal using a shared method or procedure.
6. **Subordination individual interests to the collective interests** – The interests of the organization as a whole should take precedence over the interests of any individual employee or group of employees. This encourages a team spirit and collective mentality of all for one and one for all.
7. **Remuneration** – In order to motivate and be fair to employees, they should be paid a reasonable rate for the work they carry out. An organization that underpays will struggle to attract quality workers who are motivated.
8. **Centralization** – This principle relates to whether decisions should be made centrally, as in from the top down, or in a more democratic way, from the bottom up. Different decision making processes are appropriate for different types of decisions.
9. **Scalar chain** – This relates to the principle of a clear chain of communication existing between employees and superiors. The chain should be respected, unless speedy communication is vital, in which case the chain may be bypassed if all parties consent.
10. **Order** – This relates to the proper use of resources and their effective deployment in a structured fashion.
11. **Equity** – Managers should behave ethically towards those they manage. Almost every organization in the modern world will have a written set of policies and procedures which will outline exactly what is expected from staff at all levels.
12. **Stability of tenure of personnel** – It is seen as desirable within an organization to have a low staff turnover rate. This is due to the benefits that come with having experienced staff and the time and expense needed to train new ones. There should be a clear and efficient method of filling any staff vacancies that arise.



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13. **Initiative** – Employees that have an input as to how to best do their job are likely to feel more motivated and respected. Many organizations place a great deal of emphasis on listening to the concerns of staff.
14. **Esprit de corps** - stands for striving or the involvement and unity of the employee.

4. management is as an art, science and profession.

Introduction:

- The meaning of management has been different for different people.
- Some consider it as a SCIENCE because of its proven and experimented principles, for some it is an ART because of the practice it requires in accomplishing it while others consider it to be just a PROFESSION and a source of income.
- Well, in reality, Management is a combination of this Trivia. Management is an ART, a Science and a PROFESSION, too.

➤ Management as an ART

- Ability to apply knowledge & skill in order to attain the desired results is defined as ART.
- For example, an ability of a tailor to shape a piece of cloth into a well-stitched dress is an art.
- Similarly, a sculptures with his/her art can transform a rock piece into a beautiful idol.

The essential features of art include:

1. Creativity
2. Practical/Industry Knowledge
3. Personal skills
4. Ability to improve through constant practice
5. Result oriented approach

- Since management is concerned with implementing the knowledge, skills, principles, and theories of management to attaining the desired goals and to solve certain management problem in an organization, management is considered as an art.

➤ Management as a SCIENCE

- “Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon.”
- It ascertains relationship between the cause and effect between two or more variables and emphasizes the principles which govern their relationship.



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- Scientific methods of observation and verification through testing lead to the development of these principles.

The essential features of Science are:

1. Universally Acceptable Principles.
 2. Observation and Experimentation.
 3. Established Cause and Effect Relationship.
 4. Verified and Predictable validity.
- Management is a social and behavioral science because it deals with the behaviors of human beings that is ever changing and cannot be predicted precisely.
 - For example, while a tailor can shape a piece of cloth into a dress, he/she has to follow some predefined principles. Thinking of the design is the art of the tailor however, to use that art is science based on various principles. And these principles are accepted and applied universally. So, management is a Science.
 - The ancient saying, “Manager are Born” has been discarded in favor of “Managers are Made”. It has been remarked aptly that management is the oldest of art and youngest of science, which is perfectly true.

➤ Management as a PROFESSION

- Profession is an occupation or a job done by any individual, who is well aware of delivering personal services to the people with expertise.
- To practice a profession, an individual must have acquired certain academic qualifications and training in the related field.
- In addition, a professional is required to follow the ethical code of conduct of an organization.

The essential features of profession are:

1. Ability to render personal service with expertise and specialization.
 2. Formal education and training from a recognized institution.
 3. Code of conduct
 4. Representative Association.
- For instance, to become a **financial manager**, an individual should be a Graduate in **financial management** as his/her major field of study from a recognized university.
 - Similarly, in order to become a **HR manager**, one must have a **Diploma with Human Resource Management**.

So, hence its prove management is an Art, Science and Profession.

Let's Revise

Sr.	Questions	Answers
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No.		
1.	The meaning of _____ has been different for different people.	Management
2.	Some consider management as _____ because of its proven and experimented principles	Science
3.	Some consider management as an _____ because of the practice it requires in accomplishing it	Art
4.	Some consider management as a _____ and a source of income.	PROFESSION
5.	Well, in reality, _____ is a combination of this Trivia. Management is an ART, a Science and a PROFESSION, too.	Management
6.	Ability to apply knowledge & skill in order to attain the desired results is defined as _____.	ART
7.	_____ is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon	Science
8.	Science ascertains relationship between the _____ and _____ between two or more variables.	Cause and effect
9.	Scientific methods of _____ and _____ through testing lead to the development of these principles.	Observation and verification
10.	Management is a _____ and _____ science.	Social and behavioral
11.	The ancient saying about managers is that _____.	“Manager are Born”
12.	The ancient saying, “Manager are Born” has been discarded in favor of _____.	“Managers are Made
13.	It has been remarked aptly that management is the _____ of art.	Oldest
14.	It has been remarked aptly that management is the _____ of science.	Youngest
15.	_____ is an occupation or a job done by any individual.	Profession
16.	Who is well aware of delivering personal services to the people with expertise?	Professional person
17.	To practice a profession, an individual must have acquired certain _____.	Academic qualifications
18.	To practice a profession _____ is required.	Training
19.	A professional is required to follow the _____ of an organization.	Ethical code of conduct
20.	One of the essential feature of profession...	Ability to render personal service with expertise and specialization.
21.	One of the essential feature of profession....	Formal education and training from a recognized institution.
22.	One of the essential feature of profession...	Code of conduct
23.	One of the essential feature of profession...	Representative Association.



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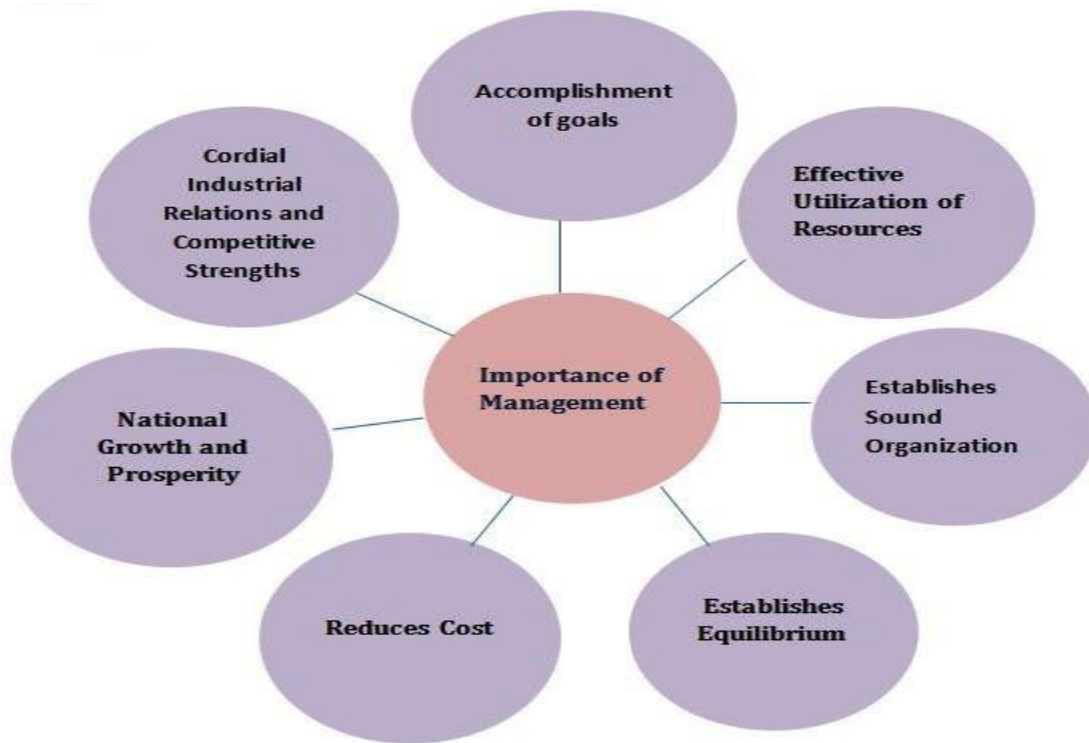
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24.	To become a financial manager, an individual should be a Graduate in _____.	Financial management
25.	In order to become a HR manager, one must have a Diploma with _____.	Human Resource Management.

5. Management merits, importance and uses:

Introduction of Concept:

It helps in Achieving Group Goals - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals.



Detail explanation of Concept

The roots of the word 'management' can be traced back to the Latin word 'manu agree', which means 'to lead by hand'. This shows that an effective management is one which actually guides the employee onto a path of efficient and productive work, while leading by example.

1. It helps in Achieving Group Goals



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- It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals.
- It directs group efforts towards achievement of pre-determined goals.
- By defining objective of organization clearly there would be no wastage of time, money and effort.
- Management converts disorganized resources of men, machines, money etc. into such a manner that enterprise work towards attainment of goals.

2. Optimum Utilization of Resources

- Management utilizes all the physical & human resources productively.
- This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses.
- It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastages.

3. Reduces Costs

- It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output.
- Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

4. Establishes Sound Organization

- No overlapping of efforts (smooth and coordinated functions).
- To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates.
- Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be getting cleared to everyone.

5. Establishes Equilibrium

- It enables the organization to survive in changing environment. It keeps in touch with the changing environment.
- So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

6. Essentials for Prosperity of Society



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- Efficient management leads to better economical production which helps in turn to increase the welfare of people.
- Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living.
- It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands.

Let's Revise		
Sr. No.	Questions	Answers
1.	_____helps in achieving Group Goals.	Management
2.	Main importance of management is _____.	Accomplishment of goals
3.	The roots of the word 'management' can be traced back to the _____word.	Latin
4.	Latin word 'manu agree', which means _____.	To lead by hand
5.	Management arranges the _____.	Factors of production
6.	Management assembles and organizes the _____.	Resources
7.	Management integrates the resources in effective manner to achieve_____.	Goals
8.	By defining objective of organization clearly there would be no wastage of _____.	Time, money and effort
9.	By defining _____ of organization clearly there would be no wastage of time , money and effort.	Objective
10.	Management converts disorganized resources of _____.	Men, machines, money etc.
11.	Management converts disorganized resources of men, machines, money etc. into such a manner that enterprise work towards _____.	Attainment of goals
12.	Management utilizes all the _____resources productively.	Physical & human
13.	Management provides maximum utilization of _____.	Scarce resources
14.	Management makes use of _____.	Experts, professional
15.	Services of experts and professionals leads to use of their_____, and proper utilization and avoids wastages.	Skills, knowledge
16.	By proper planning organization gets _____ results.	Maximum
17.	It gets maximum results through _____input by proper planning.	Minimum



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18.	Management uses _____resources in such a manner which results in best combination.	Physical, human and financial
19.	Proper use of resources reduces _____.	Costs
20.	Due to management there is _____.	Smooth and coordinated functions
21.	To establish _____structure is one of the objective of management.	Sound organizational
22.	Proper management establishes effective _____relationship.	Authority & responsibility
21.	Management fills up various positions with right persons, having right _____.	Skills, training and qualification.
22.	Management enables the organization to survive in _____.	Changing environment
23.	Management is responsible for _____of organization.	Growth and survival
24.	Efficient management leads to better _____ production.	Economical
25.	Efficient management leads to better economical production which helps in turn to increase the _____of people.	Welfare
26.	Good management makes a difficult task easier by avoiding _____.	Wastage of scarce resource
27.	Good management improves _____.	Standard of living
28.	Management increases the _____which is beneficial to business.	Profit
29.	Society will get maximum output at minimum cost by creating _____opportunities	Employment
30.	Good management will create employment opportunities which will generate _____ in hands.	Income

6. THE LUTHER GULLICK'S – POSDCORB.

Concept of POSDCORB

- ✓ The Office Management and widely used of POSDCORB by Office Managers .
- ✓ The study talks about the process, principles, limitations and disadvantages of POSDCORB in Office Management.
- ✓ POSDCORB activities are common to all organizations. They are the common problems of management which are found in different agencies regardless of the nature of the Work they do.
- ✓ POSDCORB gives unity, certainty, and definiteness and makes the study more systematic



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Keywords : POSDCORB, Planning, Organizing, Staffing, Directing, Coordinating, Reporting, Budgeting, Office Management, Managers

Detail Explanation of concept of POSDCORB with Example.

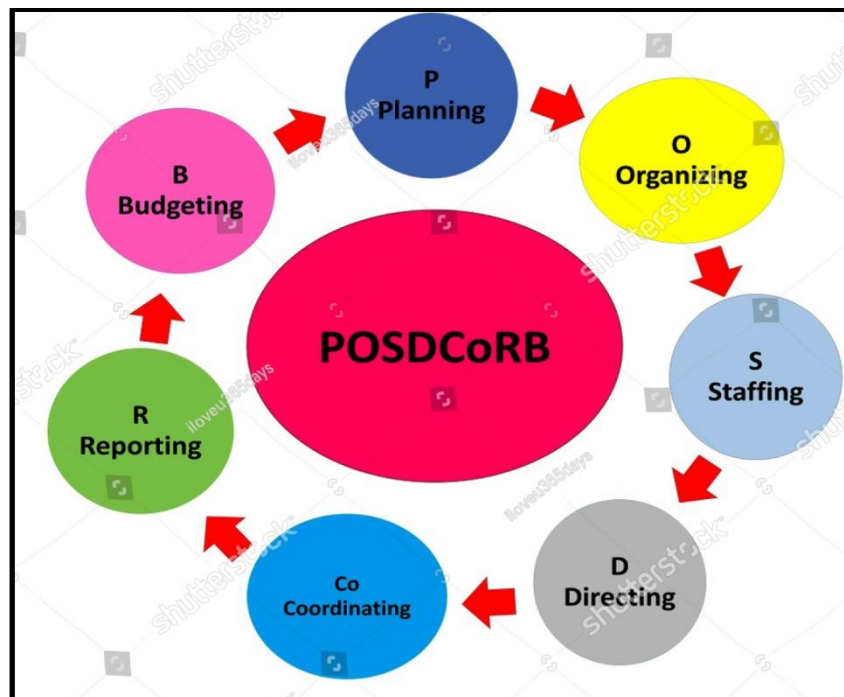
Introduction of POSDCORB:

In 1937, social scientists Luther Gulick and L. Urwick (Papers on the Science of Administration) describe seven “major Activities and duties of any higher authority of organization”.

Since then, the acronym POSDCORB is used to describe the 7 functions of managers

Steps of POSDCORB

This essentially refers to the various steps or stages involved in a typical administrative process. POSDCORB can be explained in detail below:



- ✓ **Step-1 - Planning:** Working out the board outline the things that need to be done and the methods for doing them to accomplish the purpose which is set for the enterprise.
- ✓ **Step-2 - Organizing:** The establishment of the formal structure of authority through which work subdivisions are arranged, defined and coordinated for the defined objective of the organization.
- ✓ **Step-3 - Staffing:** The whole personnel function of bringing in and training the staff and maintaining favorable conditions of work. Both qualitative and quantitative.
- ✓ **Step-4 -Directing:**The continuous task of making decisions and embodying them in specific and general orders and instructions and serving as the leader of the enterprise.



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- ✓ **Step-5 - Coordinating:** Interrelating the various entities and processes of the work.
- ✓ **Step-6 - Reporting:** Keeping those to whom the executive is responsible as well as subordinates informed through records, research and inspections.
- ✓ **Step-7 - Budgeting:** With all that goes with budgeting in the form of planning to ensure sources of income, accounting and control on expenditures.

Strength of POSDCORB:

- ✓ POSDCORB generally fits into the Classical Management movement, being classified as an element of scientific management.
- ✓ Gullick POSDCORB principles were instrumental in highlighting the theory of span of control, or limits on the number of people one manager could supervise, as well as unity of command to the fields of management and public administration.

The strength of POSDCORB is as follows:

- Division of Work
- Authority and Responsibility
- Discipline
- Unity of Command
- Unity of Direction
- Subordination of Individual Interest to General Interest
- Remuneration of Personnel
- Centralization
- Scalar Chain (line of authority with peer level communication)
- Order
- Equity
- Stability of Tenure of Personnel
- Initiative
- Esprit de Corps

Limitation and Disadvantages of POSDCORB:

- Mark Moore (1995, Creating Public Value: Strategic Management in Government) **believes that POSDCORB is too inward looking.** In his view, the single most important job of a manager is to Understands and shaping the environment of the organization, primarily, but not solely, by means of the services it delivers to its customers and clients.
- According to Dr. Lewis Meriam, **the most important thing has been omitted in the fascinating word POSDCORB: Knowledge of a subject matter.** After all, you have to plan something, you have to organize something, you have to direct something... Compare: Training Within Industry



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- **Does not pay any attention to what managers should Achieve.**

Conclusion:

- The POSDCORB activities were **neither the whole of administration, nor even the most important part of it.**
- The POSDCORB view overlooks the fact that **deferent agencies are faced with different administrative problems, which are peculiar to the nature of the services, they render and the functions they performed.**
- The POSDCORB view takes into consideration only the common techniques of the administration and ignores **the study of the ‘subject matter’** with which the agency is concerned.
- **A major defect is that the POSDCORB view does not contain any reference to the formulation and implementation of the policy.**
- Therefore, **the scope of administration is defined very narrowly, being too inward looking and too conscious of top management.**

Let's Revise

Sr. No.	Question	Answer
1.	Businesses often split their work into ____ and ____.	Different departments or functional areas
2.	The main functional areas of businesses are	Marketing, operations, human resources and finance
3.	The main purpose of functional areas is to ensure that all-important business activities are carried out _____.	Efficiently
4.	Financial areas are essential if the business is to achieve its _____ and _____.	Aims and objectives.
5.	Sales and marketing will be involved in achieving targets linked to developing _____.	New markets or increasing sales
6.	Human resources will be involved in arranging _____.	Staff training activities
7.	Finance will be expected to monitor and support aims and objectives linked to keeping costs low to _____.	Improve profitability
8.	Production will be _____ relating to quality or meeting planned production schedules.	Set targets
9.	The _____ department is concerned with finding out the needs and wants of potential customers and promoting the company's products or services.	Marketing
10.	The marketing department is concerned with finding out the _____ of potential customers	Needs and wants



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11.	_____are often advertised on television or radio to inform customers about products.	Goods and services
12.	Goods and services are often advertised on _____to inform customers about products.	Television or radio
13.	It is the job of the _____to decide how and when to advertise and to develop advertising campaigns.	Marketing department
14.	To find out if a product or service will be successful a company will use _____.	Market research
15.	Market research is the process of _____on customers' needs and wants.	Gathering information
16.	Market Research canbe done through _____.	Surveys, observations or interviews
17.	The _____department will decide which form of promotion would be best suited to the product.	Marketing
18.	The marketing department will decide which form of promotion would be best suited to the product such as a _____.	Percentage discount or buy one get one free.
19.	The marketing department is responsible for _____of a product through correct pricing and designing attractive packaging.	Increasing sales
20.	The marketing department is responsible for increasing sales of a product through correct _____.	Pricing and designing attractive packaging.
21.	The _____department manages the people who work for the organisation.	Human resources
22.	_____ is the process of finding the best people to come and work for the company	Recruitment and selection
23.	It is the responsibility of the _____department to give staff the training required.	Human resources
24.	_____will improve staff skills and can increase quality and profits.	Training
25.	_____ the relationship between the employer and the employee.	Industrial Relation
26.	The human resources department needs to ensure that all staff work within the guidelines set out in the appropriate _____.	Health and safety legislations
27.	_____covers all the stages of making a product or providing a service.	Operations
28.	The _____department is responsible for making the product or	Operations



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	providing the service.	
29.	The main functional activities carried out by the operations department are _____.	production of goods or services ,buying raw materials ,control of quality
30.	_____ involves managing stock, choosing the most suitable production method and distributing finished goods to customers or retailers.	Production of goods or services
31.	The _____ department will choose suppliers that provide the most cost effective and high quality materials.	Operations
32.	The _____ department selects the best quality methods to ensure a product or service is of an acceptable standard.	Operations
33.	The _____ department is responsible for managing money, including preparing a budget.	Finance
34.	The _____ department is responsible for managing the money coming into and going out of the business.	Finance
35.	Financial department will deal with all the financial aspects of the business such as _____ customers.	Paying suppliers, paying staff wages and receiving payments from customers
36.	The main functional activities carried out by the finance department are _____.	Raising finance ,preparing budgets , preparing final accounts
37.	It is the responsibility of the _____ department to ensure a business has enough money to pay bills.	Finance
38.	To plan and manage money business uses a _____ which is prepared by the finance department.	Budget
39.	_____ are required by all businesses to see how much profit or loss has been made and what the business is worth.	Final accounts
40.	It is the responsibility of the _____ to recruit and select appropriate staff to work within the marketing, finance and operations departments.	Human resources department
41.	It is the responsibility of the _____ to carry out market research to find out the needs and wants of customers.	Marketing department
42.	It is the responsibility of the _____ to set budgets for the marketing department.	Finance department
43.	It is the responsibility of the _____ to organize training for staff.	Human resources department
44.	Human Resource department have to arrange _____ for staff.	Training
45.	_____ sets budget for business.	Finance department

7. Functional areas of management.

Introduction:



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- ✓ Businesses separate tasks into functional activities. The main functional activities can be grouped under the four **main functional areas - marketing, operations, human resources and finance.**
- ✓ Businesses often **split their work into different departments or functional areas**. Each of these functional areas **will have specific tasks to complete**. The main functional areas are:

1. **Marketing**
2. **Human resources**
3. **Production or operations**
4. **Finance**

The Purposes of Functional Areas

- The main purpose of functional areas is to ensure that all-important business activities are carried out efficiently. This is essential if the business is to achieve its aims and objectives.
- **We can illustrate the situation as follows:**
 1. Sales and marketing will be involved in achieving targets linked to developing new markets or increasing sales
 2. Human resources will be involved in arranging staff training activities and supporting the continuous professional development of all staff
 3. Finance will be expected to monitor and support aims and objectives linked to keeping costs low to improve profitability
 4. Production will be set targets relating to quality or meeting planned production schedules
- ✓ **Marketing:** The marketing department is concerned with finding out the needs and wants of potential customers and promoting the company's products or services.

The main functional activities carried out by the marketing department are:

1. advertising
2. market research
3. promotion
4. selling products

Advertising

- ✓ Goods and services are often advertised on television or radio to inform customers about products.
- ✓ It is the job of the **marketing department to decide how and when to advertise and to develop advertising campaigns.**



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Market research

- ✓ To find out if a product or service will be successful a company will use market research. Market research is the process of **gathering information on customers' needs and wants**.
- ✓ This can be done through **surveys, observations or interviews**.

Promotion

- ✓ The marketing department will decide which form of promotion would be best suited to the product such as a **percentage discount or buy one get one free**.

Selling products

- ✓ The marketing department is responsible for **increasing sales of a product through correct pricing and designing attractive packaging**.

❖ **Human resources:** The human resources department manages the people who work for the organisation. **The main functional activities carried out by the human resources department are:**

1. recruitment and selection
2. staff training
3. industrial relations
4. health and safety

Recruitment and selection

- ✓ This is the process of finding the best people to come and work for the company.

Staff training

- ✓ It is the responsibility of the human resources department to give staff the training required to enable them to provide a good quality service to customers.
- ✓ Factory workers being trained. Training will improve staff skills and can increase quality and profits.

Industrial relations

- ✓ Supports the relationship between the employer and the employee. **This includes:**
 1. working conditions
 2. grievances
 3. contracts of employment

Health and safety

- ✓ The human resources department needs to ensure that all staff work within the guidelines set out in the appropriate health and safety legislations.

❖ **Production or Operations**

- ✓ Operations covers all the stages of making a product or providing a service.
- ✓ The operations department is responsible for making the product or providing the service. It is their responsibility to ensure that the product or service is of the required quality to satisfy the customer.



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✓ The main functional activities carried out by the operations department are:

1. production of goods or services
2. buying raw materials
3. control of quality

Production of goods or services

✓ This involves managing stock, choosing the most suitable production method and distributing finished goods to customers or retailers.

Buying raw materials

✓ The operations department will choose suppliers that provide the most cost effective and high quality materials.

Control of quality

✓ The operations department selects the best quality methods to ensure a product or service is of an acceptable standard. For that quality methods used.

❖ Finance

- ✓ The finance department is responsible for managing money, including preparing a budget.
- ✓ The finance department is responsible for managing the money coming into and going out of the business.
- ✓ They will deal with all the financial aspects of the business such as paying suppliers, paying staff wages and receiving payments from customers.
- ✓ **The main functional activities carried out by the finance department are:**
 1. raising finance
 2. preparing budgets
 3. preparing final accounts

Raising finance

✓ It is the responsibility of the finance department to ensure a business has enough money to pay bills. To do this they may be required to raise extra finance. This can be done through applying for bank loans or grants.

Preparing budgets

✓ It is important for a business to plan ahead so they can see how much money is expected to come into and out of the business. To do this a business uses a budget which is prepared by the finance department.

Preparing final accounts

✓ Final accounts are required by all businesses to see how much profit or loss has been made and what the business is worth. The final accounts are prepared by the finance department.



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Functional areas working together: All four functional areas within a business are required to work together in order for the business to achieve its aims and objectives. Each department relies on the others to enable them to complete their specific functional activities.

Some examples of how functional areas are interdependent are as follows:

1. It is the responsibility of the **human resources department to recruit and select appropriate staff to work within the marketing, finance and operations departments.**
2. It is the responsibility of the **marketing department to carry out market research to find out the needs and wants of customers.** The operations department will then make the products to meet those requirements.
3. It is the responsibility of the **finance department to set budgets** for the marketing department so they know how much they have to spend on advertising and promotion.
4. It is the responsibility of the **human resources department to organize training for staff** so they are able to operate the machinery required to produce the product for the operations department.

Let's Revise

Sr. No.	Question	Answer
1.	Businesses often split their work into ____ and ____.	Different departments or functional areas
2.	The main functional areas of businesses are	Marketing, operations, human resources and finance
3.	The main purpose of functional areas is to ensure that all-important business activities are carried out _____.	Efficiently
4.	Financial areas are essential if the business is to achieve its _____ and _____.	Aims and objectives.
5.	Sales and marketing will be involved in achieving targets linked to developing _____.	New markets or increasing sales
6.	Human resources will be involved in arranging _____.	Staff training activities
7.	Finance will be expected to monitor and support aims and objectives linked to keeping costs low to _____.	Improve profitability
8.	Production will be _____ relating to quality or meeting planned production schedules.	Set targets
9.	The _____ department is concerned with finding out the needs and wants of potential customers and promoting the company's products	Marketing



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	or services.	
10.	The marketing department is concerned with finding out the _____ of potential customers	Needs and wants
11.	_____ are often advertised on television or radio to inform customers about products.	Goods and services
12.	Goods and services are often advertised on _____ to inform customers about products.	Television or radio
13.	It is the job of the _____ to decide how and when to advertise and to develop advertising campaigns.	Marketing department
14.	To find out if a product or service will be successful a company will use _____.	Market research
15.	Market research is the process of _____ on customers' needs and wants.	Gathering information
16.	Market Research can be done through _____.	Surveys, observations or interviews
17.	The _____ department will decide which form of promotion would be best suited to the product.	Marketing
18.	The marketing department will decide which form of promotion would be best suited to the product such as a _____.	Percentage discount or buy one get one free.
19.	The marketing department is responsible for _____ of a product through correct pricing and designing attractive packaging.	Increasing sales
20.	The marketing department is responsible for increasing sales of a product through correct _____.	Pricing and designing attractive packaging.
21.	The _____ department manages the people who work for the organisation.	Human resources
22.	_____ is the process of finding the best people to come and work for the company	Recruitment and selection
23.	It is the responsibility of the _____ department to give staff the training required.	Human resources
24.	_____ will improve staff skills and can increase quality and profits.	Training
25.	_____ the relationship between the employer and the employee.	Industrial Relation
26.	The human resources department needs to ensure that all staff work within the guidelines set out in the appropriate _____.	Health and safety legislations



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27.	_____ covers all the stages of making a product or providing a service.	Operations
28.	The _____ department is responsible for making the product or providing the service.	Operations
29.	The main functional activities carried out by the operations department are _____.	production of goods or services ,buying raw materials ,control of quality
30.	_____ involves managing stock, choosing the most suitable production method and distributing finished goods to customers or retailers.	Production of goods or services
31.	The _____ department will choose suppliers that provide the most cost effective and high quality materials.	Operations
32.	The _____ department selects the best quality methods to ensure a product or service is of an acceptable standard.	Operations
33.	The _____ department is responsible for managing money, including preparing a budget.	Finance
34.	The _____ department is responsible for managing the money coming into and going out of the business.	Finance
35.	Financial department will deal with all the financial aspects of the business such as _____ customers.	Paying suppliers, paying staff wages and receiving payments from customers
36.	The main functional activities carried out by the finance department are _____.	Raising finance ,preparing budgets , preparing final accounts
37.	It is the responsibility of the _____ department to ensure a business has enough money to pay bills.	Finance
38.	To plan and manage money business uses a _____ which is prepared by the finance department.	Budget
39.	_____ are required by all businesses to see how much profit or loss has been made and what the business is worth.	Final accounts
40.	It is the responsibility of the _____ to recruit and select appropriate staff to work within the marketing, finance and operations departments.	Human resources department
41.	It is the responsibility of the _____ to carry out market research to find out the needs and wants of customers.	Marketing department
42.	It is the responsibility of the _____ to set budgets for the marketing department.	Finance department
43.	It is the responsibility of the _____ to organize training for staff.	Human resources department
44.	Human Resource department have to arrange _____ for staff.	Training
45.	_____ sets budget for business.	Finance department

8. Different roles of management or Roles of manager in an organization.



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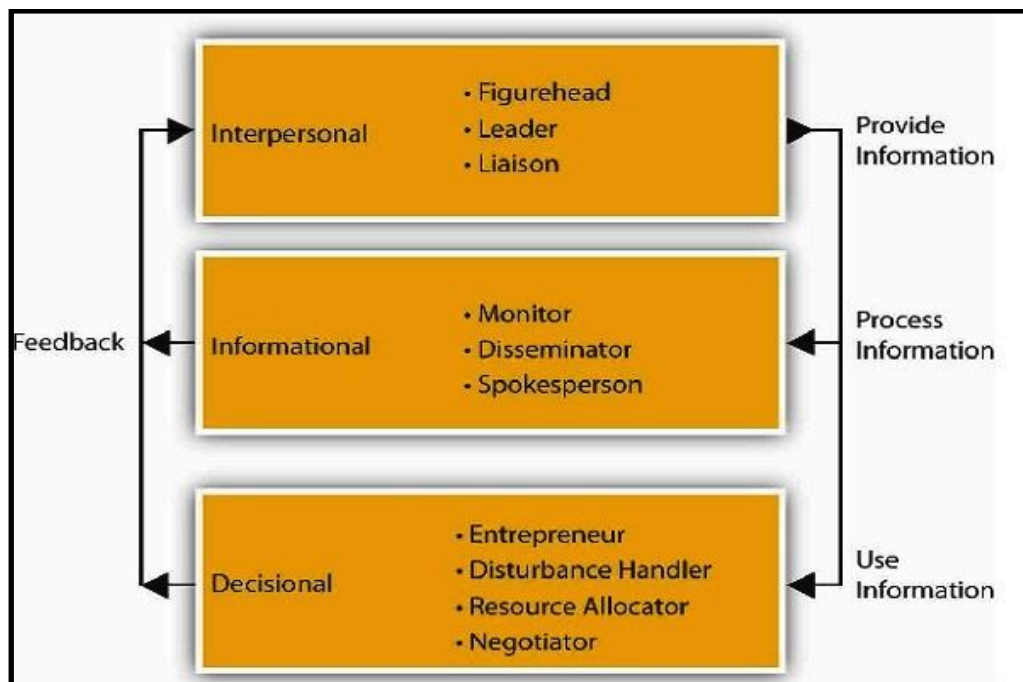
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Introduction of Concept:

- ✓ **Mintzberg's Set of Ten Roles**
- ✓ Professor Henry Mintzberg, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles.
- ✓ He propounded that the role is an organized set of behaviors.
- ✓ He identified the following **ten roles common to the work of all managers**.
- ✓ **These roles have been split into three groups as illustrated in the following figure.**



Key Points

Mintzberg's 10 Management Roles model sets out the essential roles that managers play. These are:

1. **Figurehead.**
2. **Leader.**
3. **Liaison.**
4. **Monitor.**
5. **Disseminator.**
6. **Spokesperson.**
7. **Entrepreneur.**
8. **Disturbance Handler.**



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9. Resource Allocator.

10. Negotiator.

- ✓ You can apply Mintzberg's 10 Management Roles model by using it as a frame of reference when you want to develop your management skills.
- ✓ Work on the roles that you fulfill most often as a priority, but remember that you won't necessarily fulfill every role as part of your job.

ROLES OF MANAGER IN AN ORGANIZATION

1. Interpersonal roles: -

- In the process of management manager needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business.
- Such interaction calls for proper knowledge and understanding on the part of the manager about interpersonal behavior.
- It helps the manager in establishing effective and congenial interpersonal relationships and personal rapport with the parties. Such interaction involves the following three types of interpersonal roles.

a) Figure head role:

- ✓ The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship.
- ✓ As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, signing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.
- ✓ These duties and obligations of ceremonial nature are very important for the smooth functioning of the organization. Managers are not only identified with the success and failure of the organization, they also represent members of organization and outsiders dealings with it.

b) Leadership role:

- ✓ The most important role of the manager is to lead, guide and motivate subordinates and get work done properly.



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- ✓ A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behavior of subordinates, contributing to a higher level of efficiency.

c) Liaison role:

- ✓ A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level.
- ✓ Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.
- ✓ The managers are indulged in power to negotiate and compromise with internal and external forces such as trade unions, government and competitors.

2. Informal role: -To preserve and protect the identity of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations.

The manager plays three important informational roles while managing the operations of an organization.

a) **Role of monitor:**

- ✓ The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information.
- ✓ He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.

b) Role of disseminator: The manager continuously transmits selected information which he has compiled through the role of monitor to his subordinates. He keeps them well-informed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.

c) Role of spokesperson: A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into compromise with internal and external parties.

3. Decision-making roles: - By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems. Information is the basic input for decision-making for managers, who play four decision-making roles.

a) As an entrepreneur: The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative. They direct



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efforts towards discovering new product ideas with the active help of employees examine the economic viability of the ideas and arrange necessary resources for implementation.

- b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise with outside parties which would have to be resolved through meetings, negotiations and compromise.
- c) **As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources. In the life cycle of an organization, priorities keep changing. For example, at the initial stages of formation of an organization, the survival objectives get top priority which may be activities. Some activities may be critical or more important for survival and profitability. Others may be supportive and less important. Managers allocate resources for these activities in accordance with their priorities.
- d) **As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but also as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers. Similarly, the finance manager may negotiate with financial institutions for securing funds at reasonable cost and the purchase manager may be interested in negotiating terms and conditions for purchasing raw material etc. sometimes managers negotiate with other members of the organization for reducing their disagreements about goals and roles. As disputes arises in an organization, the manager take up the role of indicator, negotiator and arbitrator.

Let's Revise

Sr. No.	Question	Answer
1.	_____ have Set Ten Roles of management.	Mintzberg
2.	_____ is a great management researcher.	Professor Henry Mintzberg
3.	MIntzberg's roles have been divided into how many parts?	3
4.	Into which 3 parts have Mintzberg roles divided?	Interpersonal , Informational , Decisional



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5.	What does interpersonal role do?	Provide information
6.	What does informational role do?	Process information
7.	What does decisional role do?	Use information
8.	In which parts is interpersonal role distributed?	Figurehead , Leader , Liaison
9.	In which parts is informational role distributed?	Monitor , Disseminator , Spokesperson
10.	In which parts is decisional role distributed?	Entrepreneur ,Disturbance Handler, Resource Allocator, Negotiator
11.	In the process of management _____needs to interact with subordinates to get things done by them.	Manager
12.	Interaction calls helps the manager in establishing _____relationships.	Effective and congenial interpersonal
13.	The manager works in a line of _____.	Authority
14.	_____position is identified in terms of formal authority, responsibility, obligations and relationship.	Manager's
15.	Manager's position is identified in terms of formal _____.	Authority, responsibility, obligations and relationship.
16.	As a symbol of formal authority, manager performs various _____ duties.	Ceremonial
17.	The most important role of the manager is to _____ subordinates and get work done properly.	Lead, guide and motivate
18.	A _____is responsible not only for his own acts but for the activities performed by his subordinates.	Manager
19.	The _____qualities of the manager help him in influencing the working behavior of subordinates, contributing to a higher level of efficiency.	Leadership
20.	A manager serves as connecting link, _____with superiors and subordinates	Vertically
21.	A manager serves as connecting link, vertically with _____.	Superiors and subordinates
22.	A manager serves as connecting link, _____with other managers at the same level.	Horizontally
23.	A manager serves as connecting link, horizontally with other _____at the same level.	Managers
24.	The managers are indulged in power to negotiate and compromise with _____forces such as trade	Internal and external



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	unions, government and competitors.	
25.	To preserve and protect the identify of an organization and to secure its smooth functioning, the _____has to scan the external environment	Manager
26.	The managers interact and deal with _____and scan the external environmental constantly to get useful information	Insiders and outsiders
27.	The manager continuously transmits selected information which he has complied through the role of _____to his subordinates	Monitor
28.	_____ keeps staff well-in-formed regarding any change in the process, structure, policies and other plans of the organization	Manager
29.	The needed information is disseminated among the _____by manager through formal and informal meetings, memorandums	Subordinates
30.	A manager acts as a _____of his group while supplying information to superiors and peers.	Spokesperson
31.	A manager negotiates and enters into comprise with _____.	Internal and external parties.
32.	By interacting with_____, the manager gets important information, which he can use or taking decisions and solving problems.	Insiders and outsiders
33.	The managers have a primary responsibility of improving the overall _____of their respective work units.	Functioning
34.	_____act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization.	Manager
35.	An _____is a collective entity with diversity of interest and duality of roles for managers.	Organization
36.	To manage the organization _____ resources are mobilized and utilized efficiently by managers.	Physical and human
37.	Managers have to play the role of _____.	Resources allocators
38.	In the life cycle of an organization, _____keep changing.	Priorities
39.	Some activities of organization may be critical or more important for_____.	Survival and profitability
40.	Some other activities may be_____.	Supportive and less important
41.	_____ work on behalf of the organization or work unit, and subordinates	Manager



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42.	Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but also as _____.	Negotiator
43.	_____ enter into an agreement on behalf of the organization.	Manager
44.	The _____ negotiates with trade unions and representatives of workers.	Personnel manager
45.	The _____ may negotiate with financial institutions for securing funds at reasonable cost.	Finance manager
46.	The _____ may be interested in negotiating terms and conditions for purchasing raw material etc.	Purchase manager
47.	Sometimes managers negotiate with other members of the organization for reducing their _____ about goals and roles.	Disagreements
48.	Managers negotiate with other members of the organization for reducing their disagreements about _____.	Goals and roles
49.	As disputes arises in an organization, the _____ take up the role of indicator, negotiator and arbitrator.	Manager
50.	As disputes arises in an organization, the manager take up the role of _____.	Indicator, negotiator and arbitrator

9. Managerial skills.

Introduction to the MANAGERIAL SKILLS:

- There are many definitions of skills that talk about talent. Talent is something personal related to an individual and shows a natural gift from nature about something inside that talented person.
- Managerial skills are the knowledge and ability of the individuals in a managerial position to fulfill some specific management activities or tasks. This knowledge and ability can be learned and practiced.
- However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through learning and practical experience as a manager.

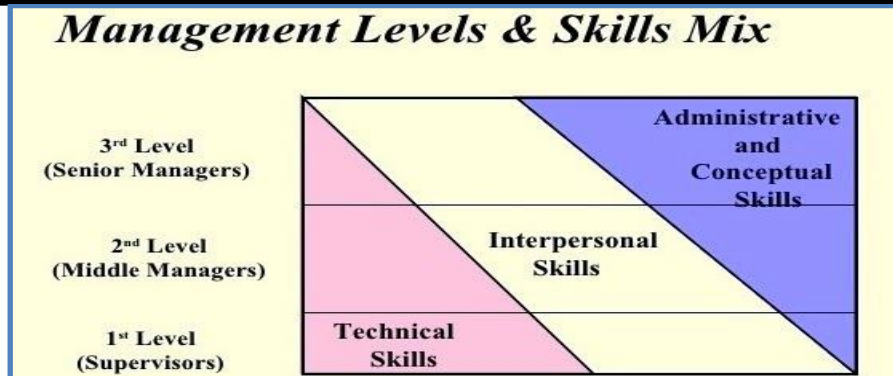


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- Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual.
- All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

1. Technical skills:

- ✓ Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- ✓ These skills require specialized knowledge and proficiency in the mechanics of a particular.
- ✓ Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

2. Human skills:

- ✓ Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- ✓ Human skills are concerned with understanding of people.
- ✓ These are required to win cooperation of others and to build effective work teams.

3. Conceptual skills:

- ✓ Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- ✓ These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- ✓ These skills help the managers to analyze the environment and to identify the opportunities.
- ✓ Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

Let's Revise		
Sr. No.	Question	Answer



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1.	_____is something personal related to an individual and shows a natural gift from nature.	Talent
2.	_____ skills are the knowledge and ability of the individuals in a managerial position.	Managerial
3.	Managerial knowledge and ability can be _____.	Learned and practiced.
4.	Managerial skill also can be acquired through practical implementation of required _____.	Activities and tasks
5.	Therefore, you can develop each skill through learning and practical experience as a _____.	Manager
6.	Which is the first level of management?	Supervisors
7.	Which is the second level of management?	Middle Managers
8.	Which is the third level of management?	Senior Managers
9.	What type of skill does supervisor possess?	Technical Skills
10.	What type of skill does middle managers possess?	Interpersonal skills
11.	What type of skills do senior managers possess?	Administrative and conceptual skills
12.	Managers at every level in the management hierarchy must exercise _____basic types of skills.	Three
13.	Which basic types of skills do manager practice?	Technical , human and conceptual
14.	_____refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.	Technical skills
15.	Technical skills refer to the ability and knowledge in using the _____involved in performing specific tasks.	Equipment, techniques and procedure
16.	Technical skills require specialized knowledge and proficiency in the _____of a particular.	Mechanics
17.	Technical skills lose relative importance at _____of the management hierarchy.	Higher levels
18.	Most top executives started out as_____.	Technical experts
19.	_____refer to the ability of a manager to work effectively with other people.	Human skills
20.	Human skills refer to the ability of a manager to work effectively with other people both as_____.	Individual and as members of a group
21.	Human skills are concerned with _____of people.	Understanding
22.	Human Skills are required to win _____of others.	Cooperation
23.	Human skills are required to win cooperation of others and to build _____.	Effective work teams
24.	_____involve the ability to see the whole organization.	Conceptual skills
25.	Conceptual skills involve the ability to see the whole organization and the _____between its parts.	Interrelationships
26.	_____refer to the ability to visualize the entire picture or to consider a situation in its totality.	Conceptual skills
27.	Conceptual skills help the managers to analyze the _____.	Environment



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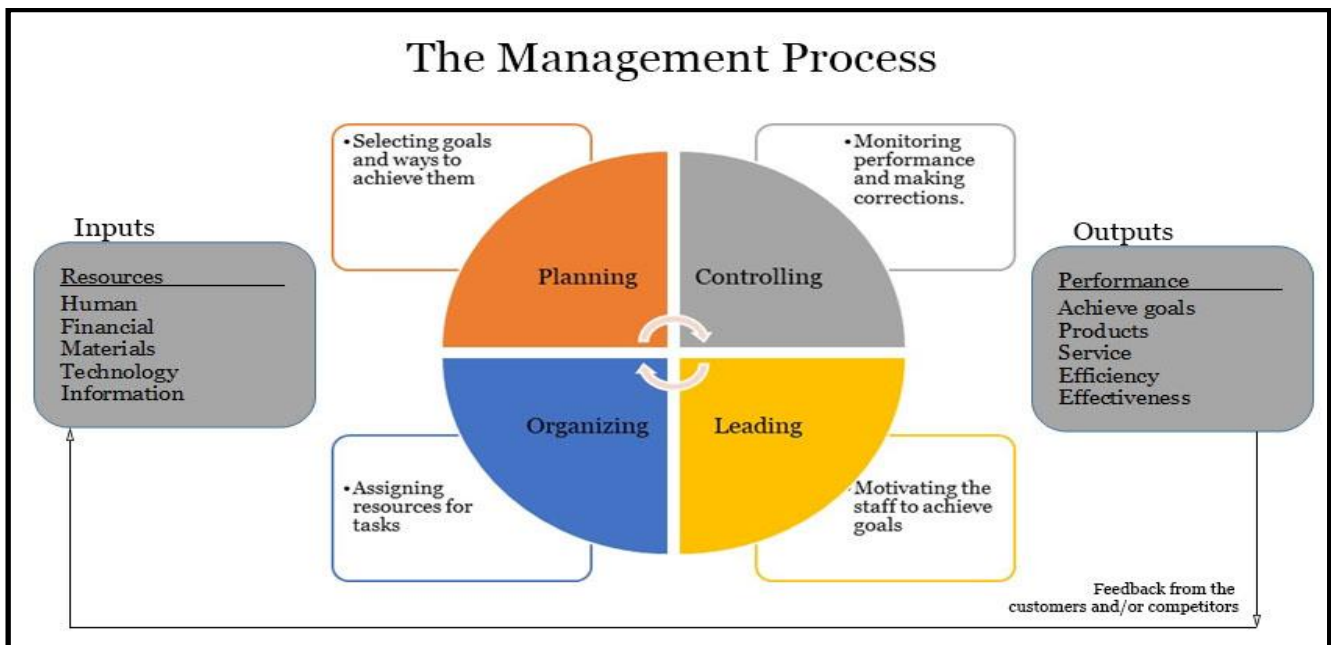
28.	Conceptual skills help the managers to identify the _____.	Opportunities
29.	Conceptual skills are especially important for _____.	Top-level managers
30.	Conceptual skills are especially important for top-level managers, who must develop _____ plans for the future direction of their organization.	Long-range

10. process and function of management.

The senior management in the organization is responsible for carrying out the managerial process.

The **five** fundamental function of management-

1. **Planning**
2. **Organizing**
3. **Staffing**
4. **Directing and**
5. **Controlling**



Planning

- When the management is reviewed as a process, planning is the initial step taken by the manager.
- The managerial functions begin with forming the goals and objectives if the organization in every area of business.



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- Planning deals with underlining the course of action and determining in advance the best course of action to achieve the pre-determined goals.
- Planning bridges the gap between where we are now and where we want to be. Planning can thus be defined as a systematic thinking technique regarding the means and ways to accomplish pre-determined goals.
- Planning is crucial to determine the effective utilization of non-human and human resources. Planning is an intellectual activity which aids in avoiding uncertainties, wastages, risks, and confusion.
- Planning must take into account the availability of resources and flexibility of personnel as they guarantee continuity.

Organizing

- An organization can function to its fullest when it is well-organized, which indicates adequate staff, capital, and raw materials so that the organization can function smoothly and build a great work structure.
- Organizing is the process of integrating human, physical, and financial resources.
- According to Henry Fayol, 'To organize a business is to provide it with everything useful for its functioning, i.e., raw materials, capital, tools, and the workforce'.
- Organizing encompasses identification of activities, classification or grouping of activities, assignment of duties, and the delegation of authority and creation of responsibility and coordinating authority and responsibility relationships.

Staffing

- According to Kootz & O'Donnell, "Managerial function of staffing involves managing the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed in the structure."
- Staffing is a process of hiring and retaining a suitable workforce for the business at the managerial and non-managerial levels.
- Staffing encompasses recruiting, training, developing, compensating and evaluating employees and balancing the workforce with adequate perks and incentives. It is crucial to appoint the right personnel since the human element is a vital factor.
- Staffing is a complex process since people vary in their knowledge, intelligence, skills, attitudes, physical condition, and experience.

Directing

- Directing is a key managerial function, which is directly concerned with the human factors of an organization. Directing is concerned with leadership, motivation, supervision, and communication, facilitating employees to function at their best to achieve the end goals.
- Leadership involves instructing and guiding subordinates regarding methods and procedures.



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- Directing facilitates two-way communication, so the information is passed on to the subordinates concerning methods and procedures.
- Motivation is very essential because a motivated workforce delivers extraordinary performance with minimal directions from their seniors.
- Supervising is an ongoing process which results in continuous progress reports and ensures that the directions are being rightly followed.

Controlling

- Controlling can be defined as measuring accomplishments against the standards and deviation if any to ensure achievement of organizational goals.
- Control makes sure that everything happens in conformities with standards. Efficient control aids in predicting deviations even before they occur.
- According to The Haimann, ‘Controlling is a process of measurement and correction of performance activities of subordinates in order to ensure that the objectives of the enterprise and the plans designed to obtain them as being accomplished’.

The functions of controlling involve-

- **Establishment of standard performance.**
- **Measurement of actual performance.**
- **Measuring actual performance with the pre-determined standards and figuring out deviations if any.**
- **Taking corrective action.**

All the functions of management are interrelated. Nevertheless, the functions are virtually indistinguishable and highly unrecognizable on the surface.

Let's Revise

Sr. No.	Question	Answer
1.	The _____ in the organization is responsible for carrying out the managerial process.	Senior management
2.	There are _____ fundamental function of management.	5
3.	When the management is reviewed as a process, _____ is the initial step taken by the manager.	Planning
4.	The managerial functions begin with forming the _____ if the organization in every area of business.	Goals and objectives
5.	Planning can thus be defined as a _____ regarding the means and ways to accomplish pre-determined goals.	Systematic thinking technique
6.	Planning is crucial to determine the effective utilization of	Non-human and human resources.



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7.	An _____ can function to its fullest when it is well-organized.	Organization
8.	_____ is the process of integrating human, physical, and financial resources.	Organizing
9.	According to _____, ‘To organize a business is to provide it with everything useful for its functioning.	Henry Fayol
10.	According to _____, “Managerial function of staffing involves managing the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed in the structure.”	Koontz & O’Donnell
11.	_____ is a process of hiring and retaining a suitable workforce.	Staffing
12.	Staffing is a process of hiring and retaining a suitable workforce for the business at the _____ levels.	Managerial and non-managerial
13.	_____ encompasses recruiting, training, developing, compensating and evaluating employees and balancing the workforce.	Staffing
14.	It is crucial to appoint the right personnel since the human element is a _____ factor.	Vital
15.	Staffing is a _____ process since people vary in their knowledge, intelligence, skills, attitudes, physical condition, and experience.	Complex
16.	_____ is a key managerial function, which is directly concerned with the human factors of an organization.	Directing
17.	_____ is concerned with leadership, motivation, supervision, and communication, facilitating employees to function at their best to achieve the end goals.	Directing
18.	_____ involves instructing and guiding subordinates regarding methods and procedures.	Leadership
19.	Directing facilitates _____ communication.	Two-way
20.	_____ is very essential because a motivated workforce delivers extraordinary performance with minimal directions from their seniors.	Motivation
21.	_____ is an ongoing process which results in continuous progress reports.	Supervising
22.	_____ can be defined as measuring accomplishments against the standards and deviation if any to ensure achievement of organizational goals.	Controlling
23.	Control makes sure that everything happens in conformities with _____.	Standards



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24.	Efficient _____ aids in predicting deviations even before they occur.	Control
25.	According to _____, 'Controlling is a process of measurement and correction of performance activities of subordinates in order to ensure that the objectives of the enterprise and the plans designed to obtain them as being accomplished'.	Theo Haimann
26.	One of the function of controlling is _____.	Establishment of standard performance
27.	One of the function of controlling is _____.	Measurement of actual performance
28.	One of the function of controlling is _____.	Measuring actual performance with the pre-determined standards
29.	One of the function of controlling is _____.	Taking corrective action
30.	All the functions of management are _____.	Interrelated
31.	The functions are virtually _____ on the surface.	Indistinguishable and highly unrecognizable

Unit – 3 Planning

1. What is planning? Or concept and meaning of planning.

Introduction to the concept of Planning:

In a way planning seeks to answer multitude of the questions:

- What should be done?
- Why is action necessary?
- Where shall it be done?
- How shall it be done?
- Who will do it?
- What physical resources will be required?



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Planning is an intellectual process. It includes thinking before acting. So it is essential for management.



Definition:

- Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is **an intellectual process** which **lays down** an organisation's objectives and develops various courses of action, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.
- Planning is nothing but **thinking before the action takes place**. It helps us to take a **peep into the future** and decide in advance the **way to deal with the situations**, which we are going to encounter in future. It involves logical thinking and rational decision making.
- Example: **Let's say your goal is to buy a gallon of milk**. It may sound like a simple task, but if you break it down, there are many small tasks involved: obtain keys, obtain wallet, start car, drive to store, find and obtain milk, purchase milk, etc.
- Planning enables management to command the future rather than being swept away by future. In a fast changing environment the need for planning is all the more important because risk and uncertainty increase. In such an environment contingent plans can be prepared.

Koontz and O'Donnell have suggested the following measures for making planning more effective in a fast changing environment:

- (a) Planning must not be left to chance. Rather a climate conducive to planning should be created.
- (b) Planning must start at the top, initiative and support of top management is essential for effective planning.
- (c) Planning must be organized for wider participation in the formulation and execution of plan.
- (d) Goals, premises and policies must be properly communicated.
- (e) Long-range planning must be integrated with short range planning.
- (f) Planning must include awareness and acceptance of change.
- (g) An open system approach involving continuous monitoring of environment should be adopted.



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Few Definitions of Planning:

- Koontz and O'Donnell – “Planning is deciding in advance what to do, when to do, how to do and who is to do it. It is bridging the gap from where we are to where we want to go.”
- Louis A. Allen – “Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets.”
- Planning is the first as well as most crucial function of management and is considered as a foundation to all other functions of management. It is symbolic to ‘looking ahead’ as is a process of chalking out future plan of action to be followed. In simple sense, it is an act or process of making plans such as – objectives, policies, procedures and strategies.

Thus, planning is an intellectual attempt by a manager to anticipate the future for better organisational performance. Planning is a primary management function which every organisation has to undertake irrespective of its size, nature and origin.

Let's Revise

Sr. No.	Question	Answer
1.	_____ is an intellectual process.	Planning
2.	Planning includes thinking before acting. So it is essential for _____.	Management
3.	Planning is the _____ management function.	Fundamental
4.	_____ chalks out exactly, how to attain a specific goal.	Planning
5.	Planning is nothing but _____.	Thinking before the action takes place
6.	_____ helps us to take a peep into the future.	Planning
7.	Planning decide in advance the _____.	Way to deal with the situations
8.	Planning enables management to _____ the future rather than being swept away by future.	Command
9.	In a fast changing environment the need for planning is all the more important because _____ increase.	Risk and uncertainty
10.	In such an environment _____ plans can be prepared.	Contingent
11.	_____ have suggested the measures for making planning more effective in a fast changing environment.	Koontz and O'Donnell
12.	_____ must not be left to chance. Rather a climate conducive to planning should he created.	Planning
13.	Planning must start at the _____ and support of top management is essential for effective planning	Top, initiative
14.	Planning must be organized for _____ in the formulation and execution of plan.	Wider participation
15.	_____ must be properly communicated while planning in an organization.	Goals, premises and policies
16.	Long-range planning must be integrated with_____.	Short range planning



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17.	Planning must include _____ of change.	Awareness and acceptance
18.	An _____ involving continuous monitoring of environment should be adopted.	Open system approach
19.	Planning is deciding in advance what to do, when to do, how to do and who is to do it. It is bridging the gap from where we are to where we want to go. Who gave this definition?	Koontz and O'Donnell
20.	Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets. Who gave this definition?	Louis A. Allen
21.	Planning is the first as well as most _____ function of management.	Crucial
22.	Planning is considered as a _____ to all other functions of management	Foundation
23.	It is symbolic to _____ as is a process of chalking out future plan of action to be followed.	'Looking ahead'
24.	In simple sense, planning is an act or process of making plans such as _____.	Objectives, policies, procedures and strategies.
25.	Planning is an _____ attempt by a manager to anticipate the future for better organisational performance.	Intellectual
26.	Planning is a _____ management function.	Primary
27.	Every organisation has to undertake planning irrespective of its _____.	Size, nature and origin

2. Characteristics of Planning.



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1. **Managerial function:** Planning is a **first and foremost managerial function** provides the base for other functions of the management, i.e. organising, staffing, directing and controlling, as they are performed within the periphery of the plans made.
2. **Goal oriented:** It focuses on **defining the goals** of the organisation, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.
3. **Pervasive:** It is pervasive in the **sense that it is present in all** the segments and is required at all the levels of the organisation. Although the scope of planning varies at different levels and departments.
4. **Continuous Process:** Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn, considering the **organisation's present and future** requirements and conditions. Therefore, **it is an ongoing process**, as the plans are framed, executed and followed by another plan.
5. **Intellectual Process:** It is a **mental exercise** at it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.
6. **Futuristic:** In the process of planning we **take a sneak peek of the future**. It encompasses looking into the future, to analyse and predict it so that the organisation can face future challenges effectively.
7. **Decision making:** Decisions are made regarding the choice of **alternative courses of action** that can be undertaken to reach the goal. The alternative chosen should be best among all, with the least number of the **negative and highest number of positive outcomes**.

Planning is **concerned with setting objectives, targets, and formulating plans to accomplish them**. The activity helps managers analyse the present condition to identify the ways of



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attaining the desired position in future. It is both, the need of the organisation and the responsibility of managers.

Let's Revise

Sr. No.	Question	Answer
1.	Planning is a first and foremost _____ function.	Managerial
2.	Planning focuses on defining the _____ of the organization.	Goals
3.	_____ identifies alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.	Planning
4.	Planning is _____ in the sense that it is present in all the segments.	Pervasive
5.	Planning is required at all the _____ of the organization.	Levels
6.	The scope of planning varies at different _____.	Levels and departments
7.	Plans are made for a _____, say for a month, quarter, year and so on.	Specific term
8.	Once the period of specific term plan is over, new plans are drawn, considering the organisation's _____ requirements and conditions.	Present and future
9.	It is an ongoing process, as the plans are _____ by another plan.	Framed, executed and followed
10.	_____ is a mental exercise.	Planning
11.	_____ involves the application of mind, to think, forecast, imagine intelligently and innovate etc.	Planning
12.	In the process of planning we take a _____ of the future.	Sneak peek
13.	_____ encompasses looking into the future, to analyze and predict it so that the organisation can face future challenges effectively.	Planning
14.	_____ are made regarding the choice of alternative courses of action that can be undertaken to reach the goal.	Decisions
15.	The alternative chosen should be best among all, with the least number of the _____ and highest number of	Negative , positive



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	_____outcomes.	
16.	Planning is concerned with setting _____plan to accomplish them.	Objectives, targets, and formulating
17.	The activity helps managers analyze the present condition to identify the ways of attaining the _____in future.	Desired position
18.	_____is both, the need of the organisation and the responsibility of managers.	Planning
19.	Planning is both, the need of the _____and the responsibility of managers.	Organisation
20.	Planning is both, the need of organization and the _____.	Responsibility of managers

3. Process of Planning. Or Steps of planning

Introduction to concept of process of planning:

- Planning is the **first primary** function of management that precedes all other functions.
- The planning function involves the decision of what to do and how it is to be done?
- So managers focus a lot of their attention on planning and the planning process. Let us take a look at the **eight important steps** of the planning process.

Explanation of Planning Process with detail explanation

The planning function of management is one of the **most crucial** ones. It involves setting the goals of the company and then managing the resources to achieve such goals. As you can imagine it is a **systematic process involving eight well thought out steps**. Let us take a look at the planning process.



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[Process of planning]

1] Recognizing Need for Action

- An important part of the planning process is to be aware of the business opportunities in the firm's external environment as well as within the firm.
- Once such opportunities get recognized the managers can recognize the actions that need to be taken to realize them. A realistic look must be taken at the prospect of these new opportunities and SWOT analysis should be done.
- Say for example the government plans on promoting cottage industries in semi-urban areas. A firm can look to explore this opportunity.

2] Setting Objectives

- This is the second and perhaps the most important step of the planning process. Here **we establish the objectives** for the whole organization and also individual departments.
- Organizational objectives provide a general direction; objectives of departments will be more planned and detailed.
- Objectives can be long term and short term as well. They indicate the end result the company wishes to achieve. So objectives will percolate down from the managers and will also guide and push the employees in the correct direction.



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3] Developing Premises

- Planning is always done keeping the future in mind, however, the future is always uncertain. So in the function of management certain assumptions will have to be made. These assumptions are the premises. Such assumptions are made in the form of forecasts, existing plans, past policies, etc.
- These planning premises are also of two types – internal and external. External assumptions deal with factors such as political environment, social environment, the advancement of technology, competition, government policies, etc. Internal assumptions deal with policies, availability of resources, quality of management, etc.
- These assumptions being made should be uniform across the organization. All managers should be aware of these premises and should agree with them.

4] Identifying Alternatives

- The fourth step of the planning process is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices.
- All of these alternative courses should be identified. There must be options available to the manager.
- Maybe he chooses an innovative alternative hoping for more efficient results. If he does not want to experiment he will stick to the more routine course of action. The problem with this step is not finding the alternatives but narrowing them down to a reasonable amount of choices so all of them can be thoroughly evaluated.

5] Examining Alternate Course of Action

- The next step of the planning process is to evaluate and closely examine each of the alternative plans. Every option will go through an examination where all there pros and cons will be weighed.
- The alternative plans need to be evaluated in light of the organizational objectives.
- For example, if it is a financial plan. Then it that case its risk-return evaluation will be done. Detailed calculation and analysis are done to ensure that the plan is capable of achieving the objectives in the best and most efficient manner possible.

6] Selecting the Alternative

- Finally, we reach the decision making stage of the planning process. Now the best and most feasible plan will be chosen to be implemented.
- The ideal plan is the most profitable one with the least amount of negative consequences and is also adaptable to dynamic situations.
- The choice is obviously based on scientific analysis and mathematical equations. But a manager intuition and experience should also play a big part in this decision. Sometimes a few different aspects of different plans are combined to come up with the one ideal plan.



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7] Formulating Supporting Plan

- Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans. These secondary plans help with the implementation of the main plan.
- For example plans to hire more people, train personnel, expand the office etc are supporting plans for the main plan of launching a new product. So all these secondary plans are in fact part of the main plan.

[8] Implementation of the Plan

- And finally, we come to the last step of the planning process, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization.
- The tools required for such implementation involve the types of plans- procedures, policies, budgets, rules, standards etc.

Let's Revise

Sr. No.	Question	Answer
1.	Planning is the first primary function of _____ that precedes all other functions	Management
2.	How many steps are there in planning process?	8
3.	An important part of the planning process is to be aware of the _____ in the firm's external environment as well as within the firm.	Business opportunities
4.	A realistic look must be taken at the prospect of these new opportunities and _____ analysis should be done.	SWOT
5.	_____ is perhaps the most important step of the planning process	Setting objectives
6.	_____ objectives provide a general direction.	Organizational
7.	Objectives of _____ will be more planned and detailed.	Departments
8.	Objectives can be _____ as well.	Long term and short term
9.	Objectives will percolate down from the managers and will also _____ the employees in the correct direction.	Guide and push
10.	_____ is always done keeping the future in mind, however, the future is always uncertain.	Planning
11.	So in the function of management certain _____ will have to be made.	Assumptions
12.	Assumptions for planning are made in the form of _____ etc.	Forecasts, existing plans, past policies.



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13.	Planning premises are also of two types _____.	Internal and external
14.	_____assumptions deal with factors such as political environment, social environment, the advancement of technology, competition, government policies, etc.	External
15.	_____assumptions deal with policies, availability of resources, quality of management, etc.	Internal
16.	Assumptions being made should be _____across the organization.	Uniform
17.	The fourth step of the planning process is to _____available to the managers	Identify the alternatives
18.	Manager chooses an _____hoping for more efficient results.	Innovative alternative
19.	Every option will go through an examination where all there _____will be weighed.	Pros and cons
20.	The _____need to be evaluated in light of the organizational objectives.	Alternative plans
21.	_____are done to ensure that the plan is capable of achieving the objectives in the best and most efficient manner possible.	Detailed calculation and analysis
22.	After selecting the alternative plan _____plan will be chosen to be implemented.	Best and most feasible
23.	The _____is the most profitable one.	Ideal plan
24.	The ideal plan is the most profitable one with the least amount of negative consequences and is also adaptable to _____.	Dynamic situations.
25.	The choice of plan is obviously based on _____.	Scientific analysis and mathematical equations
26.	Sometimes a few different aspects of different plans are combined to come up with the_____.	One ideal plan
27.	Once you have chosen the plan to be implemented, managers will have to come up with_____.	One or more supporting plans
28.	These secondary plans help with the implementation of the _____.	Main plan
29.	Finally, we come to the last step of the planning process, _____.	Implementation of the plan
30.	_____ is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization.	Implementation of the plan
31.	The tools required for such implementation involve the types of _____etc.	Plans- procedures, policies, budgets, rules, standards



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4. Different Components of planning.

Introduction to the concept of components of Planning:

- ✓ Planning is one of the **most important aspects of management**.
- ✓ A perfect plan can increase profits to their optimum levels. When it comes to making plans, one must keep several things in mind. These include the components of planning. Each component plays a big role in planning.
- ✓ The entire process of planning consists of many aspects. **These basically include missions, objectives, policies, procedures, programmes, budgets and strategies.**

Explanation of Concept of components of planning:

Major components of planning are explained below.

1. Mission:

- I. This is one of the first components of planning. The mission of an organization basically dictates its fundamental purposes. It describes what exactly it wants to achieve. The mission may be either written or implicit from the organization's functioning.
- II. A mission statement describes who the products and customers of a business are. It shows the direction in which the business intends to move and what it aims to achieve.
- III. Even the basic values and beliefs of the organization are a part of this. One can also understand its attitude towards its employees from the mission statement.

2. Objectives

- I. Objectives represent the end results which an organization aims to reach. We can also refer to it as goals or targets. Not just planning but all factions of business management begin with the setting of objectives.
- II. In terms of the types of objectives, they may be either individualistic or collective. They can even be long-term and short-term depending on their duration. They can also be general or specific in terms of their scope.
- III. Managers of a business should lay down their objectives clearly and precisely. They must consider their mission and values before setting their goals. Furthermore, they must ensure that their objects for each activity are in consonance with each other.

3. Policies



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- I. Policies are basically statements of understanding or course of action. They guide the decision-making process for all activities of the organization. Consequently, they impose limits on the scope of decisions.
- II. For example, a company might have a policy of always paying a minimum dividend of 5% of profits. So, when it decides to pay a dividend, the amount cannot be below 5%.
- III. Just like the mission statement, even policies of an organization may be expressly written or implied. Managers make policies for all activities of a business, including sales, production, human resource, etc.
- IV. Policies should never be too rigid because that excessively limits functioning. Policy-makers must also ensure they explain policies to employees clearly. This will prevent any ambiguities that may arise. Policies must also change with time to suit new challenges and circumstances.

4. Procedures

- I. Procedures are some of the most important components of planning. They describe the exact manner in which something has to be done. They basically guide actions for activities that managers and employees perform.
- II. Procedures also include step-by-step methods. Even rules regulating actions come within the ambit of procedures. The planning process must ensure that procedures are always practical. They should not be rigid and difficult to implement

5. Budget

- I. Budgets are plans that express expected results in numerical terms. Whenever an organization expects to do something, it can make a budget to decide on its target.
- II. Most activities, targets, and decisions require budgeting. For example, an income budget shows expected financial results and profits.

6. Programme

- I. A programme is nothing but the outline of a broad objective. It contains a series of methods, procedures, and policies that the organization needs to implement.
- II. In other words, it includes many other components of planning.
- III. For example, a business may have a diversification programme. Consequently, it will make budgets and policies accordingly for this purpose. Planners and managers can implement programmes like these at various levels.

7. Strategies

- I. A strategy in simple words refers to minute plans of action that aim to achieve specific requirements.
- II. Proper implementation of strategies leads to the achievement of the requisite goals. The nature of an organization's values and missions will determine how it will strategize.

Let's Revise

Sr. No.	Question	Answer
1.	A perfect plan can increase _____ to their optimum levels.	Profits



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2.	When it comes to making plans, one must keep several things in mind. These include the _____ of planning.	Components
3.	_____ basically include missions, objectives, policies, procedures, programmes, budgets and strategies.	Planning
4.	How many components of planning are there?	7
5.	_____ is one of the first components of planning.	Mission
6.	The mission of an organization basically dictates its _____ purposes.	Fundamental
7.	The mission may be either _____ from the organization's functioning.	Written or implicit
8.	A mission statement describes who the _____ of a business are.	Products and customers
9.	_____ shows the direction in which the business intends to move and what it aims to achieve.	Mission
10.	Even the basic values and beliefs of the organization are a part of _____.	Mission
11.	One can also understand its attitude towards its employees from the _____ statement.	Mission
12.	_____ represent the end results which an organization aims to reach.	Objectives
13.	We can also refer objectives to it as _____.	Goals or targets
14.	In terms of the types of objectives, they may be either _____.	Individualistic or collective
15.	Objectives can even be _____ depending on their duration.	Long-term and short-term
16.	Objectives can also be _____ in terms of their scope.	General or specific
17.	_____ of a business should lay down their objectives clearly and precisely.	Managers
18.	Manager must consider their _____ before setting their goals.	Mission and values
19.	_____ are basically statements of understanding or course of action.	Policies
20.	Policies guide the _____ process for all activities of the organization.	Decision-making
21.	_____ impose limits on the scope of decisions.	Policies
22.	Who makes policies for the business?	Manager
23.	_____ should never be too rigid because that excessively limits functioning.	Policies
24.	_____ must also change with time to suit new challenges and circumstances.	Policies
25.	_____ are some of the most important components of planning.	Procedures
26.	Procedures basically guide actions for activities that _____ perform.	Managers and employees
27.	Procedures also include _____ methods.	Step-by-step
28.	Even rules regulating actions come within the ambit of _____.	Procedures
29.	The planning process must ensure that procedures are always _____.	Practical



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30.	_____ should not be rigid and difficult to implement.	Procedures
31.	_____ are plans that express expected results in numerical terms.	Budgets
32.	Whenever an organization expects to do something, it can make a budget to decide on its _____.	Target.
33.	Most activities, targets, and decisions require _____.	Budgeting
34.	A _____ is nothing but the outline of a broad objective.	Programme
35.	_____ contains a series of methods, procedures, and policies that the organization needs to implement.	Programme
36.	_____ includes many other components of planning.	Programme
37.	A _____ in simple words refers to minute plans of action that aim to achieve specific requirements.	Strategy
38.	Proper implementation of _____ leads to the achievement of the requisite goals.	Strategies
39.	The nature of an organization's values and missions will determine how it will _____.	Strategize
40.	The nature of an organization's _____ will determine how it will strategize.	Values and missions

5. Importance and limitation of planning. Or Advantages and disadvantages of planning. Or Merits and Demerits of planning.

Importance of Planning

Planning is an important function of management, it tells the manager where the organization should be headed. It also helps the organization reduce uncertainty. Let us take a look at some important functions of planning.

1] Planning provides a sense of Direction

Planning means coming up with a predetermined action plan for the organization. It actually states in advance what and how the work is to be done. This helps provide the workers and the managers with a sense of direction, a guidance in a way. Without planning their actions would be uncoordinated and unorganized.

2] Planning reduces Uncertainty

Planning not only sets objectives but also anticipates any future changes in the industry or the organization. So it allows the managers to prepare for these changes, and allow them to deal with the uncertainties. Planning takes into consideration past events and trends and prepares the managers to deal with any uncertain events.



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3] Planning reduces Wastefulness

The detailed plans made keep in mind the needs of all the departments. This ensures that all the departments are on the same page about the plan and that all their activities are coordinated. There is clarity in thought which leads to clarity in action. All work is carried out without interruptions or waste of time or resources,

4] Planning invokes Innovation

Planning actually involves a lot of innovation on the part of the managers. Being the first function of management it is a very difficult activity. It encourages the manager to broaden their horizons and forces them to think differently. So the managers have to be creative, perceptive and innovative.

5] Makes Decision=Making Easier

In business planning the goals of the organization have been set, an action plan developed and even predictions have been made for future events. This makes it easier for all managers across all levels to make decisions with some ease. The decision-making process also becomes faster.

6] Establishes Standards

Once the business planning is done, the managers now have set goals and standards. This provides the manager's standards against which they can measure actual performances. This will help the organization measure if the goals have been met or not. So planning is a prerequisite to controlling.

Limitations of Planning

While business planning is important and a requisite for every organization, it does have some limitations. Let us take a look at some limitations of business planning.

1] Rigidity

Once the planning function is complete and the action plan is set, then the manager tends to only follow the plan. The manager may not be in a position to change the plan according to circumstances. Or the manager may be unwilling to change the plan. This sort of rigidity is not ideal for an organization.

2] Not ideal in Dynamic Conditions

In an economic environment rarely anything is stagnant or static. Economic, political, environmental, legal conditions keep changing. In such a dynamic environment it becomes challenging to predict future changes. And if a manager cannot forecast accurately, the plan may fail.

3] Planning can also reduce creativity

While making a plan takes creativity after that managers blindly follow the plan. They do not change the plan according to the dynamic nature of the business. Sometimes they do not even make the appropriate suggestions to upper management. The work becomes routine.

4] Planning is Expensive



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Planning is a cost-consuming process. Since it is an intellectual and creative process, specialized professionals must be hired for the job. Also, it involves a lot of research and facts collection and number crunching. At certain times the cost of the planning process can outweigh its benefits.

5] Not Completely Accurate

When planning we have to forecast the future and predict certain upcoming events in the organization and the industry. So, of course, there cannot be hundred per cent certainty in such cases. So it can be said that business planning lacks accuracy

Let's Revise

Sr. No.	Question	Answer
1.	_____ helps the organization reduce uncertainty.	Planning
2.	Planning means coming up with a _____ plan for the organization.	Predetermined action
3.	_____ actually states in advance what and how the work is to be done.	Planning
4.	Planning helps provide the _____ with a sense of direction, a guidance in a way.	Workers and the managers
5.	Without planning actions of workers and managers would be _____.	Uncoordinated and unorganized
6.	_____ not only sets objectives but also anticipates any future changes in the industry or the organization.	Planning
7.	Planning takes into consideration _____ and prepares the managers to deal with any uncertain events.	Past events and trends
8.	The _____ made keep in mind the needs of all the departments.	Detailed plans
9.	There is clarity in thought which leads to _____.	Clarity in action
10.	All work is carried out without interruptions or _____.	Waste of time or resources.
11.	_____ actually involves a lot of innovation on the part of the managers.	Planning
12.	Being the first function of management _____ is a very difficult activity.	Planning
13.	_____ encourages the manager to broaden their horizons and forces them to think differently.	Planning
14.	The managers have to be _____.	Creative, perceptive and innovative
15.	In business planning the goals of the _____ have been set.	Organization
16.	In _____ an action plan developed and even predictions have been made for future events.	Business planning
17.	Due to planning _____ process also becomes faster.	Decision-making
18.	Once the business planning is done, the managers now have	Goals and standards



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	set _____.	
19.	Established standards provides the manager's standards against which they can measure _____.	Actual performances
20.	Planning is a prerequisite to _____.	Controlling
21.	Once the planning function is complete and the action plan is set, then the _____ tends to only follow the plan.	Manager
22.	In an economic environment rarely anything is _____.	Stagnant or static.
23.	In such a dynamic environment it becomes challenging to predict _____ changes.	Future
24.	If a manager cannot forecast accurately, the _____ may fail.	Plan
25.	While making a plan takes creativity after that _____ blindly follow the plan.	Managers
26.	Managers do not change the plan according to the _____ of the business.	Dynamic nature
27.	Sometimes _____ do not even make the appropriate suggestions to upper management. The work becomes routine.	Managers
28.	Planning is a _____ process.	Cost-consuming
29.	Since planning is an _____ process, specialized professionals must be hired for the job.	Intellectual and creative
30.	Planning involves a lot of _____ collection and number crunching.	Research and facts
31.	At certain times the cost of the _____ process can outweigh its benefits.	Planning
32.	When planning we have to forecast the _____ events in the organization and the industry.	Future and predict certain upcoming
33.	There cannot be _____ certainty in planning	Hundred per cent
34.	It can be said that _____ lacks accuracy.	Business planning

6. Explain planning premise.

Introduction to the concept of planning premises:

Premises means presumption about future or the description of presumed situation in future. On the background of premises, planning is formulated and on its basis planning is implemented. Planning premises are basically future presumptions. **For fulfilling the fixed objectives, what would be the situations in future is called planning premises.**

Importance of Planning Premises:

- Planning premises have primary significance with the purpose of **reduce risks** against future uncertainties and changes.



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- With the help of premises the functions of planning become **integrated** and **well-placed**.
- The effective planning premises have much **significance**.
- The planning is proved effective if it is formulated on the basis of **specific presumptions** for objectives.

Types of Premises :

<u>1. Internal Premises</u>	<u>2. External Premises</u>
<ol style="list-style-type: none"> 1. Sales Premises 2. Premises related to policy 3. Premises related to organization 4. Premises related to investment and raw material 	<ol style="list-style-type: none"> 1. Premises related to average business environment <ol style="list-style-type: none"> a) Government control b) Political stability c) Government fiscal and tax policy d) Trends of population e) Employments, productivity and national income f) Price rise g) Technological factor h) Social trends 2. Premises related to demand of commodity <ol style="list-style-type: none"> i) Demand of industry ii) Demand of firm 3. Premises regarding production tools <ol style="list-style-type: none"> a) Location of business b) Labour c) Raw material d) Capital

Let us study Internal Premises in detail:



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A) Sales Premises: Sales premises make it clear as to how much sales will be done, when, where and at what price. It also makes clear how much will be the sales and other expenses. Among all planning premises, sales premises play an important role. For making planning premises, following methods are used:

- 1) Statistical method
- 2) Deductive method
- 3) Opinions of officers of different departments and sections
- 4) Premises of persons connected with sales
- 5) Opinions of purchasers

B) Premises related to policy: As a part of formulating policies, different policies like policy of quality, goods, credit, price, sales, etc. are considered. What effect will be there in the unit if some changes occur is also considered in framing policies?

C) Premises related to organization: Premises are carried out in the changeable organization as to which, how many changes will have to be carried out and what would be the effects on departments and employees.

D) Premises related to investment and raw material: Internal and external factors affect the availability of investment and raw material.

Let us study External Premises in detail:

A) Premises related to average business environment: The economic, social and political factors affecting the planning are included in this.

Premises related to average business environment:

- 1) **Government Control:** In the prevailing business world the government has control on economic, industrial and commercial sectors. Prevailing and future planning premises should be considered related to import-export, exchange rate, co-operative sector etc.
- 2) **Political Stability:** Political stability becomes an important factor for achieving progress in the economic, commercial and industrial sectors.
- 3) **Government fiscal and tax policy:** The government fiscal and tax policies affect every level of planning. Government imposes different types of taxes in order to raise income.
- 4) **Trends of population:** The proportion of population, density of population, distribution of population policy play important role in determining the commodity. The estimates of possible change in the population should also be taken into consideration.



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5) Employment, Productivity, National Income: For the development of developing countries, broad opportunities of employment, productivity and national income play an important role. With the increase in the productivity, there is increase in the productivity of employees and due to that there is increase in the national income.

6) Price Rise: There is no exaggeration in saying that financial policy of government, tax policy, deficit budget give birth to price rise. Price rise and inflation cut the real income of a person, which has direct effect on the purchasing power.

7) Technological factors: The development in technological knowledge has created revolution in the production and distribution sectors. At the time of planning factors like these have to be taken into consideration.

8) Social Trends: Due to social change in the people of developing countries, there are extensive changes in the consumption of people. The luxury items of past have become the commodities of day to day consumption. In the modern times, the business unit cannot avoid its social-legal responsibilities due to consumer awareness and consumer protection centers.

B) Demand and Premises of a Commodity: The premise related to the demand of a commodity has great significance. The premises of demand includes following:

1) Demand of industry: Population trends, employment, productivity, national income, market, price level, purchasing power, changes in the likes and dislikes of people are to be taken into consideration. It can be obviously guessed that with the increase in income there can be increase in consumption of luxurious items.

2) Demand of firm: In single industry also, there can be different demands for the firms. The prestige of the firm, business location of the firm, monopolistic market, and shortage of abundance of the commodity will have to be taken into consideration before planning premises.

C) Premises regarding production tools: The premises regarding production tools includes following:

1) Location of business: The factors affecting the location of business like availability of raw material, labor, consumption of power, service of transportation, close proximity of market, banking-commercial services, because it is expensive to change the location of business frequently.



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2) Labour: It is very necessary to consider labour for rapid production of good quality goods at fewer expenses. Premises related to labour supply extent, stability of supply, skilled or unskilled, mechanization, labour changes in relation to labour unions become useful in production planning.

3) Raw material: It is important that raw material is constantly available at a nearby place to the unit, at fewer expenses as per the favorable condition to the unit. If raw material is available far then safety measures should be there. If raw material is required to be imported from overseas countries, and then import policy, exchange rate, import duty etc. are worth considering.

4) Capital: Premises are necessary for establishing an industrial enterprise, how much capital will be required, when and from where it would be required are to be considered. One should also consider rate of interest, type of security, interference in the management, legal provisions etc.

Let's Revise

Sr. No.	Question	Answer
1.	_____ means presumption about future or the description of presumed situation in future.	Premises
2.	For fulfilling the_____, what would be the situations in future is called planning premises.	Fixed objectives
3.	Planning premises have primary significance with the purpose of _____ against future uncertainties and changes.	Reduce risks
4.	With the help of premises the functions of planning become _____ and _____.	Integrated, well-placed
5.	The effective planning premises have much_____.	Significance
6.	The planning is proved effective if it is formulated on the basis of _____ for objectives.	Specific presumptions
7.	How many types of premises are there?	2
8.	_____ premises make it clear as to how much sales will be done, when, where and at what price	Sales
9.	Among all planning premises, _____ premises play an important role.	Sales
10.	For making planning premises, _____ methods are used	5
11.	As a part of_____, different policies like policy of quality, goods, credit, price, sales, etc. are considered	Formulating policies
12.	Premises are carried out in the _____ organization as to which, how many changes will have to be carried out	Changeable



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13.	_____factors affect the availability of investment and raw material.	Internal and external
14.	In the prevailing business world the _____has control on economic, industrial and commercial sectors	Government
15.	_____planning premises should be considered related to import-export, exchange rate, co-operative sector etc.	Prevailing and future
16.	_____stability becomes an important factor for achieving progress in the economic, commercial and industrial sectors.	Political
17.	The government _____policies affect every level of planning	Fiscal and tax
18.	Government imposes different types of taxes in order to raise _____	Income
19.	The proportion of population, density of population, distribution of population policy play important role in determining the _____	Commodity
20.	For the _____of developing countries, broad opportunities of employment, productivity and national income play an important role.	Development
21.	There is no exaggeration in saying that financial policy of government, tax policy, deficit budget give birth to _____	Price rise
22.	Price rise and inflation cut the real income of a person, which has direct effect on the _____	Purchasing power.
23.	The development in _____knowledge has created revolution in the production and distribution sectors	Technological
24.	Due to _____change in the people of developing countries, there are extensive changes in the consumption of people	Social
25.	The premises related to the _____of a commodity has great significance.	Demand
26.	It can be obviously guessed that with the increase in income there can be increase in _____of luxurious items.	Consumption
27.	In single industry also, there can be different _____for the firms.	Demands
28.	The factors affecting the _____of business like availability of raw material, labour, consumption of power, service of transportation, close proximity of market, banking-commercial services	Location



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29.	It is very necessary to consider _____ for rapid production of good quality goods at less expenses	Labour
30.	It is important that _____ is constantly available at a nearby place to the unit, at less expenses as per the favorable condition to the unit	Raw material
31.	If raw material is required to be imported from _____ countries, then import policy, exchange rate, import duty etc. are worth considering.	Overseas
32.	Premises are necessary for establishing an _____ enterprise, how much capital will be required, when and from where it would be required are to be considered.	Industrial

7. strategy formulation. Characteristics –essential elements of strategy formulation.

Introduction of Concept of strategy formulation:

According to James and Charles, "For making clear and accomplishing the objectives of the unit, the long term systematic planning process means formulation of strategy:"

According to Stoner and Wankel, "Formulating strategy is the process for selecting the objectives of the organization, formulate necessary policies and programmes for achieving those objectives as Well as to ensure that those policies and programmes are strategically implemented for which necessary methods are established."

According to R. N. Anthony, "Strategy is the outcome of the process of taking policy decisions for determining objectives of the unit, for taking decisions for making changes in the objectives and for the tools used for achieving those objectives and for policies related to obtaining, using and solving the tools."

CHARACTERISTICS ESSENTIAL ELEMENTS OF STRATEGY FORMULATION:

1. **Part of Planning:** Strategy formulation is the part of planning. It is prepared in consonance with original planning and Objectives. This process cannot be separated from it.
2. **Long term process:** Strategy is formulated keeping in view future premises and prevailing condition. As per the changes brought in the long term planning, accordingly changes are incorporated in the short term planning strategy also.
3. **Formulated by top management:** The top management formulates the strategies. At the middle and low level orders are issued for the implementation of the strategies. While formulating strategies,



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premises and prevailing situations are taken into consideration, which is possible by the responsible top management.

4. **Self-assessment is done:** Formulating strategies is not the only function of the planning. The management has to do self-assessment of its plus points. After analyzing it with SWOT Analysis its strength, weaknesses, opportunities and danger points, strategies are formulated.
5. **Environment Analysis is carried out:** For formulating strategies internal and external environments are taken into consideration. That means the details related to political, social, economic, customer market and competition are analyzed.
6. **Collection and allocation of resources:** At the time of formulating, strategy, the resources available with the unit are coordinated. Wherever possible, all the resource are made available for the strategy. Optimal allocations of resources are allocated with a view to utilizing it efficiently.

Let's Revise

Sr. No	Question	Answer
1.	For making clear and accomplishing the objectives of the unit, the long term systematic planning process means _____	Formulation of strategy
2.	_____ is the part of planning	Strategy formulation
3.	Strategy is formulated keeping in view _____ and prevailing condition	Future premises
4.	As per the changes brought in the _____ planning, accordingly changes are incorporated in the short term planning strategy also	Long term
5.	The _____ formulates the strategies	Top management
6.	At the _____ orders are issued for the implementation of the strategies	Middle and low level
7.	While formulating strategies, premises and _____ situations are taken into consideration	Prevailing
8.	_____ is not the only function of the planning	Formulating strategies
9.	The management has to do _____ of its plus points	Self-assessment
10.	After analyzing it with _____ Analysis its strength, weaknesses, opportunities and danger points, strategies are formulated.	SWOT
11.	For formulating strategies _____ environments are taken into consideration	Internal and external
12.	While _____ details related to political, social, economic, customer market and competition are analyzed.	Formulating policies
13.	At the time of formulating _____, the resources available	Strategy



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	with the unit are coordinated	
14.	Wherever possible, all the resource are made available for the _____	Strategy
15.	_____of resources are allocated with a view to utilizing it efficiently	Optimal allocations

8. The process of strategy formulation.

1. **Determine objectives:** it is the first step in the strategy formulation. Objective is made clear in order to direct functions and activities of the unit. Strategy is formulated by framing rules and regulations of the original planning.
2. **Explanation of present objective and future strategy:** formulation of future strategy is carried out with present and original objectives. Clear explanation is obtained as to whether the presently adopted strategies are in accordance with what is to be achieved in future. If the present strategies are not able to provide expected outcomes, then changes are made in the original strategy to achieve the determined goals.
3. **Environment analysis:** it is very important because the strategic ways can be considered only on the basis of external environment analysis of the unit. The external environment factors affecting the unit include technology, social, political, legal and economic aspects, labor org and natural factors. Environment analysis gives the details of logical environment changes, which makes it possible the process of successfully formulating strategy.
4. **Self-assessment:** At this stage of formulating strategy analysis of resources and skills of the unit are analyzed. At the same time details are collected regarding the opportunities of and threats to the unit. Strategic planning indicates competitive trend. Hence, the unit has to completely analyze its capacity before entering into competition. For this the businessmen take the base of SWOT Analysis to do the assessment.

SWOT = S = Strength



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W = Weaknesses

O = Opportunities

T = Threats.

5. **Strategic changes:** it is ascertained whether the changes are necessary or not, and if found necessary, the changes are made affecting the original planning of the mgt. sometimes changes are made in view of the future strategy. When there is more time gap between establishing objectives and formulating strategy, the changes are required to be made in strategy at the time of its implementation.
6. **Strategic decision process:** if the unit has adopted the strategic mgt, implemented the strategy with the objectives and there is no need of any change in it, then the implementation of strategic planning continues. But if the changes are required to be made then assessment and selection of strategic options are made. It means the strategic decision process is undertaken.

In strategic decision process, first of all it is considered as to which options are available. Maximum numbers of options are considered and analyzed for achieving the objectives. Ultimately favorable option is chosen which is able to help achieve objective with the maximum utilization of present resources.

7. **Implementation of strategy:** when the strategy is determined, the strategy should be implemented. The advantages can be derived only if it is properly implemented. In strategy only short term planning is done. That means, initially for implementing the strategy short term intelligent plans, programmes and budget should be prepared which should be implemented in different types by different departments.
8. **Assessment of progress:** the progress of the strategy should be assessed. Top mgt regularly assesses the activities of short term plans to verify whether the achievement of the objectives.

Let's Revise

Sr. No	Question	Answer
1.	_____ is the first step in the strategy formulation	Determine objectives
2.	_____ is made clear in order to direct functions and activities of the unit	Objective
3.	_____ is formulated by framing rules and regulations of the original planning.	Strategy
4.	Formulation of _____ is carried out with present and original objectives	Future strategy
5.	Clear explanation is obtained as to whether the _____ strategies are in accordance with what is to be achieved in future.	Presently adopted
6.	If the present strategies are not able to provide expected	Original strategy



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	outcomes, then changes are made in the _____to achieve the determined goals.	
7.	_____ is very important because the strategic ways can be considered only on the basis of external environment analysis of the unit	Environment analysis
8.	The _____factors affecting the unit include technology, social, political, legal and economic aspects, labor org and natural factors	External environment
9.	_____gives the details of logical environment changes, which makes it possible the process of successfully formulating strategy	Environment analysis
10.	At _____stage of formulating strategy analysis of resources and skills of the unit are analyzed	Self-assessment
11.	At Self-assessment stage details are collected regarding the _____of and threats to the unit.	Opportunities
12.	Strategic planning indicates _____ trend	Competitive
13.	The businessmen take the base of _____Analysis to do the assessment.	SWOT
14.	_____is ascertained whether the changes are necessary or not	Strategic change
15.	If strategic change is found necessary, the changes are made affecting the _____of the mgt. sometimes changes are made in view of the future strategy	Original planning
16.	When there is more time gap between_____, the changes are required to be made in strategy at the time of its implementation	Establishing objectives and formulating strategy
17.	If the unit has adopted the_____, implemented the strategy with the objectives and there is no need of any change in it, then the implementation of strategic planning continues	Strategic mgt.
18.	If the changes are required to be made then _____of strategic options are made	Assessment and selection
19.	At the time of assessment and selectionthe strategic options_____is undertaken	Strategic decision process
20.	In_____, first of all it is considered as to which options are available	Strategic decision process
21.	_____numbers of options are considered and analyzed for achieving the objectives	Maximum
22.	When the _____is determined, the strategy should be implemented	Strategy
23.	The advantages can be derived only if _____is properly implemented	Strategy
24.	Initially for implementing the _____short term intelligent plans, programmes and budget should be prepared which should be implemented in different types by different departments	Strategy
25.	The progress of the strategy should be _____	Assessed



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26.	Top mgt. regularly assesses the activities of _____ to verify whether the achievement of the objectives	Short term plans
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9. Importance –usefulness – Benefits and limitation- criticism of strategy

Importance –usefulness – Benefits of strategy formulation.

- Achievement through clarity of objectives:** Strategy formulation makes clear the objectives of the unit and these objectives make arrangement for its achievement with concentration to bring in long term changes, so that the unit can definitely achieve them.
- Advance thought to the solution of problems:** The management knows the future challenges, threats, and weakness of the unit. The unit already has the solution to the difficulties that may arise frequently. Sometimes it may happen that even before the problem may arise, its solution is implemented in advance.
- Proper Decision:** During the strategy formulation logical and intellectual options are considered. Mathematical analysis of information is carried out. After considering all the combinations properly, foresighted decisions are taken, so that decisions are qualitative, efficient and leading to success.
- Limited scope for mistakes:** After complete assessment of objectives, they are made clear during the strategy formulation. After the proper assessment, there is as to which decisions are proper in which type of situation; hence, there is limited scope for mistakes.
- Maximum utilization of resources:** While formulating strategy the resources and capacity of the unit are assessed. So that strategy can be formulated for the best utilization of the resources. These points are taken into consideration while allocating resources.
- Awareness about weaknesses:** With the help of self-assessment of the unit defects and weaknesses of the unit can be known during strategy formulation so that management is aware about the weaknesses of the resources. Strategy is formulated keeping in view the weaknesses.

Limitations and criticism of Strategy Formulation

CRITICISMS OR LIMITATIONS OF STRATEGY FORMULATION:

- Authority — oriented tendency of top management:** The top management formulates the strategy, for which it has complete authority. If decisions are taken by sticking to the theoretical point of view and avoiding the real changes, then the strategic planning does not work in Consonance with the changes and prove unsuccessful.
- Expensive process:** Time, labor and money — all the three things are extensively required in the process of strategy formulation. Substantial funds are required by the management right from determining the strategy objectives to the stage of assessment of planning. Moreover, for best



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strategic decision use of computer, model planning and expert services are required, which proves to be the expensive process.

3. **Delay in taking decision:** Strategy formulation is a lengthy process. During the process clarity of objectives, self-assessment and environment analysis and its effects are required to be considered. This consumes long time and it becomes the long process.
4. **Potential Damage:** The decisions taken related to strategy in its formulation and accordingly the activities are fixed generally without risk. Risky options are left out. That means risky opportunities are not acceptable. Sometimes it may also happen that risky options may succeed while practical safe options may fail.
5. **Limitation of environment analysis:** The most important factor in formulating strategy is to collect and analyze environment related information. If the information is incorrect, obviously its analysis would also go wrong. The strategy based on such information fails the objectives of the business.

Let's Revise

Sr. No	Question	Answer
1.	_____ makes clear the objectives of the unit and these objectives make arrangement for its achievement with concentration to bring in long term changes	Strategy formulation
2.	The _____ knows the future challenges, threats, and weakness of the unit	Management
3.	During the strategy formulation _____ options are considered	Logical and intellectual
4.	After considering all the combinations properly, _____ decisions are taken, so that decisions are qualitative, efficient and leading to success	Foresighted
5.	After complete _____ of objectives, they are made clear during the strategy formulation	Assessment
6.	While _____ the resources and capacity of the unit are assessed	Formulating strategy
7.	With the help of _____ of the unit defects and weaknesses of the unit can be known during strategy formulation so that management is aware about the weaknesses of the resources	Self-assessment
8.	Strategy is formulated keeping in view the _____	Weaknesses
9.	The _____ formulates the strategy, for which it has complete authority	Top management
10.	If decisions are taken by sticking to the theoretical point of view and avoiding the real changes, then the strategic planning does not work in _____ with the changes and prove unsuccessful.	Consonance



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11.	Time, labor and money — all the three things are extensively required in the process of _____	Strategy formulation
12.	_____are required by the management right from determining the strategy objectives to the stage of assessment of planning	Substantial funds
13.	Strategy formulation is a _____process	Lengthy
14.	The decisions taken related to _____in its formulation and accordingly the activities are fixed generally without risk	Strategy
15.	Sometimes it may also happen that _____may succeed while practical safe options may fail	Risky options
16.	The most important factor in formulating strategy is to _____related information	Collect and analyze environment
17.	Why strategy formulation is important?	Proper decision
18.	Write one of the limitations of strategy formulation.	Delay in decision
19.	Which process is lengthy and time consuming process?	Strategy formulation
20.	Due to which reason in strategy formulation, delay in decision making will arise?	Lengthy and time consuming process

10. Short note on strategy formulation.

Brief introduction about Policies:

"Policies are general statements of understanding which guide or channel thinking in decision-making of subordinates." With the help of policies the officers are able to take decisions in any kind of situation by co-coordinating with the decisions taken by officers of other departments.

Basic elements:

- (1). Policy has **close relationship with the organizational objectives**. Policy provides its invaluable contribution in formulation of organizational objectives, its mutual inter-connection and its achievement.
- (2) Policy **interprets the behavior of people** working in the organization and **provides guidelines** to other people. Policy is presented in specific written form, which brings effectiveness of the group.
- (3) Policy is a decision and it is formulated after undergoing different processes of decision making.
- (4) Policy provides guidelines to the people working in the organization. That means the policy **prevents the people of organization from taking, unmindful decisions of their own**.
- (5) Formulating policy is a managerial function. The management has to give its main contribution in formulating policy.



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Need for policies:

1. Policy is essential for the effectiveness for the org. with the help of policy common working method is fixed. It helps in classification of the org. into departments, sub departments and their functioning, which is uniformly coordinated by the policy.
2. Policy speeds up the process of decision making. Policy provides direction as to what type of decisions should be taken and what types of decisions will be taken in future.
3. Policy provides guidance to high officials and their subordinates to carry out their work in their possible manner.
4. Policy provides proper efforts and activities for effective coordination.

Types of policies:

(A). On the basis of the source of policy:

1. **Initial policy:** initial policy is formulated keeping in view the original objectives of the unit and its overall working. It provides details and guidance related to general behavior to its offices, assistant officers and employees. It provides outlook for the unit.
2. **Suggestive policy:** This policy is utilized when assistant officers or employees seek guidance for decisions. The top management studies the situation and then takes decision and based on such decision future general policy is formulated.
3. **Secret policy:** The management sometimes keeps some policies secret. That means there may not be clear guidance for any procedure or decisions, but its policy may be secret.
4. **Imposed policy:** The government imposes policies on local business units for production as well as taxes.

(B). Policies based on scope: policies are utilized by the management itself its own guidelines. General policies are uniformly applied to the whole unit, while the **departmental policies** are applicable to the concerned department and its scope. For example, selling policy and customer policy are determined by marketing department, production department **determines raw material storing policy, production policy, end product storing policy, production working policy.** Similarly, the finance department determines the working capital. The classification of policies can be done managerial functioning-wise also, like planning policy, organizational policy, control policy, guideline policy etc.

Characteristics of Sound Policy: Policies are determined in all the types of business units, because policy provides guideline in decision-making.

1. **Ideal policy should be related with objectives.** Only those policies which are able to provide guideline to the unit for achieving objectives only become useful.
2. **Planned development:** It is not possible that the policy will be able to solve the business units' future problems, but it is possible that day to day problems can be solved. The behavior of the employees will also remain effective due to policy.
3. **Clarity:** There should be clear policy as well as its interpretation can be uniformly done. This would avoid misunderstanding and save the management's time.



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4. **Written:** As far as possible, the policies should be in written form. The written policies are clearer and its information can also be easily disseminated. Written policies prevent repetition and bring in uniformity in the complete org.
5. **Consistency:** Policies should be consistent with the organizational functions. General and specific work policies should be result-oriented during the particular time period.
6. **Flexibility:** Policies should be flexible. If the objectives, planning, premises and main plans of a business unit change, then policies also tend to change with it.
7. **Information dissemination:** There should be awareness in the whole organization with the help of information dissemination, so that whenever anyone has to take decision, he can take it with clear interpretation within the limits of the policy
8. **Controlled:** When the policies are controlled, only then they become effective and to keep the policies under control, its assessment should be carried at specified time intervals.

Policy Formulation: Policy formulation is carried out through managerial decisions and several stages of decision-making process are used. Policy-related decisions are those which are to be implemented in a specific time period remaining within its own structure. Policy formulation can be classified into, two:

- (i) **Policy formulation for managerial functions and**
- (ii) **Policies related to the functions of business unit.** Manager functions policy included planning, organization, staff management, co-ordination, information-dissemination, control etc. Function related policies include production, market, finance and employee-related policies.

Stages of policy formulation:

1. **Environment Analysis:** The external environmental factors are related with social, political, economic and technological risks and opportunities. Internal environmental factors are connected with material resource, human resource, organizational structure, employees union's relation with the mgt., obtainable values of skill and ideals etc. Internal and external factors are inter-related. That means change in one factor affects its other related factors. The environmental changes are important for policy formulation.
2. **Policy options:** policy options are prepared for similar type of work or process. Optional policies are prepared keeping in view the relation between objectives and policy.
3. **Assessment of options and selection of policy:** The available optional policies in a business unit are assessed for the purpose of achieving organizational objectives and proper policy is selected from it. If the selected policy is not able to achieve the organizational objectives then new policy is found out and new options are assessed.

Carefully formulated policy becomes a tool for the management. The policy formulated after carefully assessing the different factors becomes useful in making effective the rapidly taken decisions. Many a time, before formulating the long term policy, policies are formulated on a trial



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basis and examined. Suggestions from the employees are sought and accordingly weaknesses and defects in the policy are removed, so that it can be strengthened and adopted as permanent long term policy. The concerned departments of the whole unit are made aware about the newly formulated policy and understanding about it can be cultivated. This helps maintain harmony in the decisions of the whole unit.

Let's Revise

Sr. No	Question	Answer
1.	In future if top management and employee they want to take proper decision, for that they generally revise	Policy
2.	It's a written form of every process and function	Policy
3.	Which components of planning have close relationship with the organizational objectives?	Policy
4.	Which components of planning interpret the behavior of the people working in the organization?	Policy
5.	Policy provides _____ to the people working in the organization.	Guidelines
6.	Formulating policy is a _____ function	Managerial
7.	Policy speed up the process of _____.	Decision-making
8.	Policy is essential for the _____ of the organization.	Effectiveness
9.	Write one of the characteristics of sound organization.	Written
10.	Write one of the characteristics of sound organization.	Clarity
11.	Write one of the characteristics of sound organization.	Related with objective
12.	Labour related policy and trade related policy are example of	Imposed policy
13.	Manager sometimes keeps some policies confidential, this type of policy known as	Secret policy
14.	Write one of the examples of policies based on scope.	Marketing policy
15.	Write one of the examples of policies based on source.	Initial policy
16.	When employee seeks guidance and assistance for decision making at that time they refer which type of policy.	Suggestive policy
17.	_____are general statements of understanding which guide or channel thinking in decision-making of subordinates	Policies
18.	Policy has close relationship with the _____objectives	Organizational
19.	Formulating policy is a _____function	Managerial
20.	Policy provides _____to the people working in the organization	Guidelines
21.	_____is formulated keeping in view the original objectives of the unit and its overall working	Initial policy
22.	_____ policy is utilized when assistant officers or employees seek guidance for decisions	Suggestive policy
23.	_____of the management sometimes keeps some policies secret	Secret policy
24.	In _____ government imposes policies on local business units for production as well as taxes	Imposed policy
25.	_____are uniformly applied to the whole unit, while the departmental policies are applicable to the concerned department and	General policies



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	its scope	
26.	As far as possible, the _____ should be in written form	Policies
27.	_____ is carried out through managerial decisions and several stages of decision-making process are used	Policy formulation
28.	The _____ changes are important for policy formulation	Environmental
29.	_____ factors are inter-related	Internal and external
30.	_____ are prepared keeping in view the relation between objectives and policy	Optional policies
31.	If the _____ is not able to achieve the organizational objectives then new policy is found out and new options are assessed.	Selected policy
32.	Carefully formulated policy becomes a tool for the _____	Management



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UNIT – 4(A). ORGANIZATION

1. Introduction of concept of Organization and its characteristics.

Introduction of organization

DEFINITION:

- ✚ According to John Pfiffner: "**Organization is essentially a matter of relationship of man to man, job to job and department to department.**"
- ✚ According to Koontz and O'Donnell : "**Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority delegation and co-ordination.**"
- ✚ According to G. R. Terry: "Organizing is the establishing of effective behavioral relationship among persons so that they may work together efficiently and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives."
- ✚ According to Sheldon: "Organizing suggests the best arrangement for functioning of persons or group of persons efficient, systematic Wholesome planning and makes the persons functions clear and provides understanding of their inter relationship."

CHARACTERISTICS - NATURE OF ORGANIZATION:

1. **Establishing authority relations:** The organization establishes authority — relation between the employees and officers working in a business enterprise.
2. **Concerned with Planning:** The first function of planning is to formulate organization. The organization has to accomplish the objectives of planning. Hence, the organization has close relationship with planning.
3. **Active administrative structure:** With the changing situations, the structure of organization also changes. It is not rigid, but flexible. There is scope of changes in it.
4. **Provision of supervision and control:** Every employee and officer carries out his allotted works within the limits of authority, because the organization has made arrangement and fixed standards of supervision and control to pinpoint the responsibility.
5. **Outcome of toiling and experience:** The formulation of organization demands toiling and experience. Ideal organization emerges from the efforts and experience.
6. **Creating departments:** The organization creates different departments as per the work group and allots work among them.



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7. **Allocation of authority, duties and responsibility:** the org. establishes the authority relations, not only that, it also allocates authority, duties and responsibility among officers and employees.
8. **Importance of human being:** The creation and success of organization is dependent on human being. It has great importance of "**human element**". Hence, it pays special attention on establishing human relations.

Explanation of the characteristics of ideal organization

- | | |
|--|-------------------------------------|
| (i) Simplicity | (ii) Definiteness |
| (iii) Stability | (IV) Flexibility |
| (v) Efficiency | (VI) Development convenience |
| (vii) Human importance | (viii) Co-ordination |
| (ix) Balance | (x) Specialization |
| (xi) Just and proper allocation of authority – responsibility | |

- (i) **Simplicity:** If an employee is able to properly understand the works allotted to him, then he would be able to carry out his duty properly. Hence, the organization should be such that can explain the functions, duties and responsibilities in the, simple manner. Simplicity is essential for its success.
- (ii) **Definiteness:** Functions, authority, responsibilities and duties should be specific and fixed. Every employee should be aware about his duty, responsibility and authority. At the same time the work should not be duplicated. If it is done accordingly, then the responsibility of a particular person can be established.
- (iii) **Stability:** Instability means failure and stability means success. Unnecessary changes should not be made in the authority, duties and responsibilities once allocated to the employees. It reduces the enthusiasm and spirit of the employees, which results into inefficiency. Stability brings in success. Even then, it should have to be kept in mind that stability does not mean rigidity.
- (iv) **Flexibility:** Changes should be brought in the organization as per the changing situations. That means it should be flexible to absorb changes. Along with stability, flexibility as per changing time and situation should be essential. It can maintain the employee morale and efficiency.
- (v) **Efficiency:** The organization should be set up in such a manner that ability of every employee should be best utilized and maximum production is made at minimum cost. Efficiency can be increased only if the employees are satisfied; hence, their, qualifications and ambitions and humane feelings should always be kept in mind.
- (vi) **Development convenience:** It should have such a set up that with the development of business, there should be development' of organization also. The changes for development should be made in such a manner that the efficiency of the organization is not put in danger.
- (vii) **Human importance:** The organization should be set up keeping in centre the human element, because in comparison to other sources, "Person" has more importance for the success of the organization.
- (viii) **Co-ordination:** Co-ordination is the pre-condition of co-operation, Proper co-ordination system among all the employees and functions of different departments prevents clash and obtains co-



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operation. Co-operation brings in efficiency. Without co-ordination, it would create mismanagement and haphazard working.

- (ix) **Balance:** Ideal organization should be balanced from every point of view. Proper balance should be maintained between the authority, responsibilities and duties of employees and officers. Little fluctuation of authority or responsibility can hinder the efficiency. Hence, the organization should be so balanced that duties so that there will not be any misuse of authority.
- (x) **Specialization :** As per the principles of division of labor and specialization, work should be distributed to the employees, so that expert knowledge of employees can be utilized, efficiency increases and expenses reduce, which prove to be beneficial to the business enterprise.
- (xi) **Just and proper distribution of authority and responsibility:** For just and proper distribution of authority and responsibility following care should be taken:
- (I) Proper attention should be paid to all the works — small or big.
 - (ii) The distribution of rights, authority and duties should be clearly done. There should not be any misunderstanding or confusion about it.
 - (iii) Responsibility should not be entrusted without rights.
 - (iv) The rights and duties of employees should be in accordance with their work capacity and qualification.
 - (v) Proper arrangement also-ordination in the whole organization should be there.

2. Guideline Principles for formulating ideal organization.

Guideline principles for formulating ideal organization

- (I) Principle of Unity of Objectives
- (II) Principle of Efficiency
- (III) Principle of Span of Control
- (IV) Principle of Scalar
- (V) Principle of Delegation
- (VI) Principle of Absolute Responsibility of Authority and
- (VII) Principle of parity of authority and responsibility.
- (VIII) Principle of Unity of Command
- (IX) Principle of Departmentation
- (X) Principle of Level of Authority
- (XI) Principle of Balance
- (XII) Principle of Flexibility
- (XIII) Principle of Leadership
- (XIV) Principle of Specialization
- (XV) Principle of Stability
- (XVI) Principle of Verification
- (XVII) Principle of Discussion



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1. **Principle of Unity of Objectives:** Every department and every work of the organization should only be for accomplishing the objectives of business enterprise. When there is more than one objective, then there should be consistency among them. These objectives are to be accomplished together by every person, group or branch. Assessment of the organization should be done in reference to accomplishment of objectives only.
2. **Principle of Efficiency:** The organization which is able to accomplish its objectives at minimal cost can be called efficient organization. Though cost is not the only parameter of efficiency; along with it the employees should get proper wages, behavior and satisfaction as well as the society should get service and the proprietor should get profit out of it.
3. **Principle of span of control:** Every officer has his limitation for capacity to supervise his subordinates. Generally, one person can properly supervise 5 to 6 persons at a time. As per the scientific estimate this limitation is of four persons for a higher administrative official, while lower level officers can supervise 8 to 12 persons. Higher the number of officers under a head, more complex becomes the work. Following factors affect the form of control area:
 - (1) If the officer is well-trained or if he is prepared by imparting training, then control area can be increased.
 - (2) If the functions of officers are clear and simple, then also control area gets increased.
 - (3) If the planning is clear cut and specific, then also control area increases.
 - (4) If the form of business is stable and no rapid changes take place, then also control area can be increased.
 - (5) If the information dissemination system is efficient, then also the control area is increased.

This principle is also known as management expansion principle. Bigger the unit, more are the limitations of its area. Due to limited area several officers are required. This leads to increase in supervision expenses.

4. **Scalar Principle:** As per this principle, the final authority in any organization should be in the centre. In short, the current of authority, commands and control flow downwards. This principle makes possible oneness and alliance in any organization. The officers are made aware about the commands in sequential order. Even every employee gets clear picture about his responsibilities. This principle is also known as linear authority principle also.
5. **Principle of delegation:** When the management or an officer is not in a position to personally supervise all the functions entrusted to him, then he hands over certain works to his assistant. The higher officials hand over certain portion of their work to their subordinates as well as authority to carry it out.
6. **Principle of absolute responsibility:** We have seen that the higher officer delegates certain authority to his subordinates and the lower official carries out the work entrusted to him by his superior. Even then, the responsibility of the entrusted work lies with the higher officer. He himself is responsible for entrusting the work to his subordinates. That means, the authority can be delegated, but not the responsibility.



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7. **Principle of parity of authority and responsibility:** Any person in the organization can carry out his work successfully only if he is entrusted with the authority as per his responsibility. There should be balance between the authority and responsibility. The authority should not be more than the responsibility and vice versa.
8. **Principle of unity of command:** Every person of the organization should be getting the commands from only one higher officer. As per the work, different officers give command for different matters in the organization. But it should not happen that for a particular matter, more than one officers are issuing commands
9. **Principle of departmentation:** For obtaining efficiency, the functions of organization are required to be distributed to different departments. By doing so specific allocation of work is done. Responsibility, work area, authorities of every department should be made very clear, as well as relation with other departments should be made clear. Departmentation can be done as per process, production and place.
10. **Principle of authority level:** Decisions should be take every level of administration as per the authority. The decision, at which no authority is issued, should be brought to the top level management. Decisions of any type should not be taken by anyone at any level going beyond his authority level.
11. **Principle of Balancing:** in order to maintain harmony with all the departments and matters is essential, so that functions are properly carried out. For example, balance between centralization and decentralization, authority and rights, balance between the authority and duty, between employer and officers. It brings in efficiency.
12. **Principle of flexibility:** The unit has to efficiently accomplish its determined objectives even in the changing situations. To do so, the organization should be flexible. The organization should include necessary methods and factors so that along with the development of the unit, its structure should also develop.
13. **Principle of development of leadership:** "Organization is a technique of promoting leadership." The organization should be formulated in such a manner that the managers are compelled to develop ideal leadership qualities. The same way, the rights and duties should be entry so systematically that every employee of the organization sees his superior as a leader and gets guidance from him. Such a concept makes every work successful
14. **Principle of specialization:** Experience is essential for momentum and quality. Hence, if a particular work is entrusted to a specific person, then he can become expert in his line of work. The principle of special knowledge of a person should be adopted in the organization and work should be distributed as per the expertise of the employees.
15. **Principle of stability:** The organization should be formulated in such a manner that if a person or persons leaving should not disturb the stability or consistency of the organization. The trained



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employees, who can replace them, should always be ready with the organization. In short, the efficiency of the organization should not depend on any one person or number of persons.

16. **Principle of verification:** The person who is entrusted the work should not verify it. An arrangement should be made in which work of one person is verified by the proper authority.
17. **Principle of Discussion:** As per the situation and requirement, discussion should be held with co-workers and subordinates so that their thoughts and points of view can be known. This maintains the relations. Moreover, proper planning for the work can be formulated.

3. Factor affecting to organizing.

Factors that affect Organizing

1. **Size:** smaller the unit, simpler to organize and bigger the size the organizing becomes more complex and confusing. In the small units, linear system is found, while in the big org. “linear staff” and committee org. is found.
2. **Geographical factors:** the unit having its premises only at one location would have simple and easy org. the unit having its work area in a large geographic area has complex organizing.
3. **Type and quantity of the commodity:** the unit manufacturing only one type of commodity would have easy and simple org, while the unit manufacturing different commodities in different quantities would be complex one.
4. **Concepts of managers:** the final decision right as to how should be the org lies with the effective org is prepared. The org which holds unskilled employees finds it convenient to linear system of org.
5. **Production process:** the org where the constant production process is adopted and the quality and speed are dependent on machinery, the linear system is proper. Where the quality and speed are not based on machinery, then the work based system is more proper.

4. Importance-benefits and criticism and limitation of Organization.

Importance-benefits of Organization:

1. **Specialization** - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.
2. **Well defined jobs** - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.



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3. Clarifies authority - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. Co-ordination - Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority-responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, “Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective.” Therefore, co-ordination of authority- responsibility is very important.

5. Effective administration - The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

6. Growth and diversification - A company’s growth is totally dependant on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

7. Sense of security - Organizational structure clarifies the job positions. The roles assigned to every manager is clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. Scope for new changes - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Disadvantages-limitation-criticism of organization

(1) Ignorance of Organisational Objectives:



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Each departmental head works according to his sweet will. They always give more importance to their departmental objectives. Hence, overall organisational objectives suffer. For example, to establish its image, the production department may produce quality product ignoring the fact that market trend favors accepting medium quality product.

(2) Difficulty in Interdepartmental Coordination:

All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes interdepartmental coordination difficult.

(3) Conflict of Interest:

Every departmental head wants to become a functional empire. To satisfy their ego every one demands maximum resources for their department. This situation leads to conflicts among the various departmental heads.

(4) Hurdle in Complete Development:

This system is a hurdle in the way of the complete development of the employees. Each employee specializes only in a small part of the whole job.



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UNIT – 4 (B).AUTHORITY AND RESPONSIBILITY

1. short note on Delegation of Authority.

Introduction of concept of Delegation of Authority

- When a manager or an officer is not in a position to supervise and control personally all the functions entrusted to him, then he adopts the strategy of internal administration, **which is based on the departmentation.**
- As per the creation of higher department, he **delegates the functions and responsibilities** to the department head.
- To ensure that the **department head is able to carry out these functions and duties effectively**, they are delegated authority also.
- When the higher officer is not able to **control all the functions**, then he delegates the specific functions to his subordinates.
- Simultaneously, he **delegates authority** also, which is called the delegation of authority. How much authority should be delegated to whom at the organization level, depends on the manager.
- It is to be remembered that the **higher officer cannot delegate such authority to subordinates which he himself is not holding.**

Secondly, the higher officer should not delegate his authority else his own existence would be in danger. Delegation of authority has three important functions:

- (i) **The higher officer delegates his duties to his subordinate.**
- (ii) **The higher officer also delegates authority for carrying out duties.**
- (iii) **With the delegation of authority he obliges. (i) Duty (ii) Authority (iii) Obligation.**

(I) **Duty**: Duty word is utilized in reference to outcome or objective. When we say that it is his duty to write 100 entries in the books of account, then we consider the duty in the sense of target or purpose, A person's duty can be made clear only when he is aware as to what he has to do and has to fulfill which objectives.

(II) **Authority**: From the legal point of view authority means the right to take legal steps. Technically, authority means the recognition of a certain person for an opinion in a particular sector. The authority has some limitations also. It cannot be unlimited. When the authority is delegated, then necessary rights with the duty are also entrusted he sense of obligation. By being obliged by his higher officer, the subordinate fulfills his duties. When duty gets over, the authority it is automatically removed.



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(III) **Obligation:** When higher authority delegates the authority to his subordinates, the subordinates feels sense of obligation. The subordinates feels accepting the duties promises to fulfill the duties in the best manner. This act of subordinates is considered as an obligation.

The objective behind the delegation of authority is to motivate assistant officer for doing work.

Let's Revise

Sr. No	Question	Answer
1.	How much authority should be delegated to whom is depends on what?	Organizational level
2.	The delegation of authority is related with what?	Rights
3.	The delegation of authority is related with what?	Responsibility
4.	_____ means the higher officer delegates' authority to his subordinates and empowered them.	Delegation of authority
5.	Delegation of authority has ____ important function.	Three
6.	The higher officer delegates his ____ to his subordinates.	Duty
7.	Which word is utilized in reference to outcome or objective?	Duty
8.	The right to take legal point of view means	Authority
9.	The reorganization of certain person for an opinion in particular section is called	Authority
10.	When higher authority delegates the authority to his subordinates , the subordinates feels sense of	Delegation
11.	The higher authority delegates the authority to his	Sub-ordinates
12.	The subordinates feels accepting the duties promises to fulfill the duties in the best manner. This act of subordinates is considered as an	Obligation
13.	Write one of the elements of delegating of authority.	Duty
14.	Write one of the elements of delegating of authority.	Authority
15.	Write one of the elements of delegating of authority.	Obligation
16.	By which person gives his duties to others.	Delegation
17.	The delegating person gives his duties to _____	Others
18.	Delegation of authority creates what?	Obligation
19.	An obligation is created by	Delegation of authority
20.	By _____ the employee's responsibility can be made clear and get the work done.	Delegation of authority
21.	The objective behind the delegation of authority is	Motivation



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2. Principles of delegation of Authority.

Principles of delegation of Authority

1. **Principle of clarity of authority and responsibility:** duty is connected with responsibility, while authority is related with right. The person who is entrusted duty should have clarity about the authority delegated to him. For effective delegation of authority, such clarity is essential.
2. **Principle of expense of responsibility:** The higher officer delegates duties and authority to his subordinate. That means he delegates the authority. Even then, he cannot escape from the responsibility of his subordinate. The final responsibility of entrusted work to subordinate lies with the higher officer only. The higher officer delegates the authority to his subordinates at his own risk. Hence, it is said that authority can be delegated, not its responsibility."
3. **Principle of level of authority:** At every level the decisions should be taken as per authority. The matters for which there is no authority, decisions regarding it should be entrusted to the top management. Every higher officer should make it clear with his subordinate that how much authority he is delegating. Similarly, the subordinate should also get the proper understanding of the authority, so that decisions can be taken as per the level.
4. **Principle of delegating authority as per expected outcomes:** Authority should be delegated only after considering which outcomes are to be obtained. At the same time, how much authority is required to be delegated for carrying out which function. This fact should be determined first then only the work should be entrusted
5. **Principle of balancing between authority and responsibility:** Authority is a right. The other side of authority is responsibility. There should be balance between the both. The responsibility should be determined in accordance with the authority. For example, if the advertising officer has been entrusted the responsibility of advertising through a campaign, then he should be delegated the authority to decide advertising media and necessary expenses on it. The imbalance between authority and responsibility may result in inefficiency.
6. **Principle of line authority:** The authority flows from top to bottom, while responsibility always goes from bottom to top. The final authority lies with the top management. The chain of authority moves on the straight line from the centre. This chain of authority should be clear and unbreakable.
7. **Principle of uniformity of command:** It is a said that, "No man can serve two masters." it is essential that every person gets the command from one and only officer. If more than one officer are issuing the orders, then the person may be confused as to which command should be followed.



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Let's Revise

Sr. No	Question	Answer
1.	For making delegation of authority effective in the organization, so they follow	Principles of delegation of authority
2.	Total there are how many Principles of delegation of authority	Seven
3.	Which is connected with responsibility?	Duty
4.	Duty is connected with what?	Responsibility
5.	Duty is connected with responsibility, while authority is related to	Right
6.	With the _____ in authority, the responsibility of holder automatically gets clarity	Clarity
7.	With the clarity in authority, the responsibility of holder automatically gets _____	Clarity
8.	The higher officer delegates duties and authority to his	Assistant
9.	The higher officer delegates duties and authority to his	Subordinates
10.	The higher officer cannot escape from	Responsibility
11.	Who cannot escape from his subordinates responsibility?	Higher officer
12.	The higher officer delegates the authority to his subordinates at his own _____	Risk
13.	Who said authority should be delegated to that extent by which work is to be carried out?	Edward sleh
14.	authority should be delegated to that extent by which _____ is to be carried out	Work
15.	Authority is a one kind of _____	Right
16.	What is the other side of authority?	Responsibility
17.	Which things must be balance by higher officer?	Authority and responsibility
18.	No man can serve _____ master.	Two
19.	The imbalance between authority and responsibility may result in _____	Inefficiency
20.	The current of authority flows from _____	Top to bottom
21.	The chain of authority moves on the _____	STRAIGHT LINE
22.	The chain of authority moves on the straight line from the _____	Centre
23.	It is essential that every person gets the command from _____	One authority
24.	It is essential that every person gets the _____ from one authority	Command
25.	Who said it is essential that every person gets the command from one authority?	Henry Fayole



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3. Concept of line and staff authority.

Brief explanation of Line and Staff authority:

Line officers are appointed who are known as experts and under them, assisting officers are also appointed. Staff officers advise their higher officers and equivalent officers. In this manner, two types of authorities — Line authority and staff authorities are there.

1. **Line Authority:** From the delegation of work line authority emerges. Where there is rise in the work load of a higher officer, he relieves his burden of work by delegating his authority to the subordinates. When the work load of subordinates rises, then they delegate their authority to their own sub-ordinates. With the delegation of authority a line of chain is created. The more the decentralization of authority, longer becomes the scalar chain. The officers ruling this chain obtain line authority. This line authority is obtained by the higher officers from their subordinates, with the help of which the higher officer can issue commands to his subordinates. He also can give guidance and supervise and control them. The line authority establishes the relations between officers and their subordinates.
2. **Staff Authority:** Staff authority is a trick to distribute the work load and decentralizing the authority. The delegation of such authority is done by an expert person outside the Line Chain. Managing Director or department head, for reducing their work load, may delegate the authority to an expert person outside the line authority chain, which is known as staff authority. The difference between line authority and staff authority can basically be shown on the basis of authority relation and not on the work carried out by the staff. The line officer has the right to supervise his subordinate line officer.

Types of Staff Authority: Staff authority means the authority to provide service which is required to be added in it to provide service.

- 1) **Specialist staff:** Such officers are experts in one or the other fields. They are divided into four types
 - (1). **Officers holding advisory authority:** Such types of staff officers have the authority to provide advice to the line officer. They study the problem and carry out research on it and advice recommendations or plans. The experts should provide correct and practical advice and the line officer should accept the correct advise.
 - (2) **Expert officers having authority to provide service:** some of the staff officers have the authority to provide service. The service related activities are separated from the authority chain



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and undertaken in a different department. The line officers are compelled to utilize service activities concentrated in a single department.

(3) Expert officers holding the authority of control: The staff authority can be for the control also. Such officers holding authority work as agent of the line officer and carry out the control work. He carries out the indirect functions related to control like interpreting the policies, implementing the processes or providing necessary reports related to control. His function is not to advise, but to control. The officers holding the authority of control also carry out functions like auditing the accounts; determine the processes for the day to day expenses etc.

(4) Authority as per work: The authority given for a particular work is called the authority as per work. The work for which the special authority is delegated to the officer allows him to take decisions related to his work as well as can issue commands also. Such an authority is similar to line authority, but limited to a certain work. The officer holding such an authority does not require submitting his recommendations to the line officer, but get it implemented by re-reporting to the subordinate of the higher officer.

(2) Personal Special Officers:

The second level of special officers is personal officers. Such officer or group of officers provide advice, service or help in keeping control. But they can get it done only through the line officers. The authority to issue all types of commands lies with the line officers only. Such officers are more found in army.

Relations between staff and line officers:

Following characteristics can be derived from the staff authority and line authority.

1. **Staff officer is the representative of his superior.** In the absence of higher officer, the staff officer has to carry out his functions as was done previously. The voice of staff officer is considered as the voice of the higher officer. Hence, when he has to express his personal opinions, then he has to make it clear that it is not otherwise he becomes the cause of clash.
2. **The staff officer should have capacity to explain his line thinking, advice and plans to get it accepted,** because he cannot order the line officers.
3. The staff officer should have such a mental **preparation that his personality merges with that of line officer.** As the credit of success goes to the line officer, he should be prepared to sacrifice the credit
4. Staff officer is like **extension of line officers authority.**
5. Though **the staff officer has only advising authority,** sometimes there is found the co-existence of authority of line officer and staff officer.

Generally, the staff officer does not have authority to issue commands, but only the authority to provide service and advice, only because he is an expert and expert opinion is taken into



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consideration. Sometimes the staff officer may be having extra ordinary personality, so getting impressed by his personality, his advice is accepted. Sometimes, due to the advice of the staff officer, the line officer gets promotion or increment.

Let's Revise

Sr. No	Question	Answer
1.	Where there is rise in the work load of a higher officer, he relieves his burden of work by	Delegation of authority
2.	the delegation of work _____ authority emerges	Line
3.	Who can advice their higher officer and equivalent officer?	Staff officer
4.	There are how many types of authority?	Two
5.	Write one of the types of authority.	Line authority
6.	Write one of the types of authority.	Staff authority
7.	The difference between line authority and staff authority can basically be shown on the basis of _____	Authority relation
8.	The difference between line authority and staff authority can basically not be shown on the basis of _____ by staff.	Work carried out
9.	There is no authority on _____ officer.	Line
10.	For helping and advising line officer _____ is appointed.	Staff officer
11.	For helping and advising _____, staff officer is appointed.	Line officer
12.	Staff officer is the _____ of his supervisor.	Representative
13.	In the absences of higher officer, the _____ officer has to carry out his function.	Staff
14.	In the absences of _____, the staff officer has to carry out his function.	Higher officer
15.	There are how many types of staff authority.	Two
16.	Write one of the types of staff authority.	Expert officer
17.	Write one of the types of staff authority.	Personal officer
18.	Who is not having authority to issue commands?	Staff officer
19.	The staff officer does not have authority to issues _____.	Commands
20.	The second level of special officer is _____.	Personal officer



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4. short note on Centralization of Authority.



Brief explanation of Centralization of Authority

- In the centralization, quick decision, rapid implementation and immediate changes, if need be are possible. Except manager, the officers and employees do not have authority to take the decisions.
- The subordinates have simply to implement the taken decisions. It is divided into two parts: Decision-making and implementing it.
- "Centering the authority at the top level in the organization means centralization of authority." Important decisions of the unit are taken at this centre place. **The managers take decisions at the higher level or do planning or fix a policy, which is known as centralization of authority.**

Factors or objectives of centralization of authority:

1. **Strong leadership:** Leadership is such a human capacity, which provides direction and guidance in human activities in such a manner that desired works can be taken from them voluntarily and without any pressure. Small and medium sized units, in the times of cut-throat competition, appoint clever, intelligent manager who can take rapid decisions, under the centralization of authority. The condition of centralization makes it easier and possible. Centralization increases the flexibility in the management.



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- 2. Importance of decision:** Any work which is very important, precious and risky from the point of view of the complete unit, then it is beneficial to the unit if its decisions are taken at the high level. For important, risky and costly decisions, centralization of authority is proved more useful.
- 3. Coordination:** For accomplishing objectives, when different persons are working at different levels carrying out different activities, then centralization provides an ideal background for coordinating them and establishing harmony with each other. For the well-planned and systematic efforts of the unit, central control and guidance are essential.
- 4. Uniformity:** In policy and work method: Centralization becomes helpful in bringing uniformity and equality in the policy and work methods of the unit at the different levels of different departments: The centralization becomes useful in maintaining quality of production in different departments or branches as well as for bringing in uniform price policy and credit policy.
- 5. Protection at the critical time:** When in critical times the important decisions are to be taken very rapidly, then centralization proves very useful. For example, in normal conditions it is fine if the decision is taken at the local level in the concerned department as to how much stock should be maintained, but due to different reasons, if there is shortage of goods or stock is required to be maintained due to potential price rise, then such a decision is taken at the central level.
- 6. Shortage of clever managers:** The shortage of skilled, clever, intelligent, trained, experienced and efficient managers who can independently take decisions in different departments and unit leads towards centralization.
- 7. Other factors:** some external factors also affect the centralization of authority. Government policy, trend of the labor union, rules and policies of the government, etc.

Advantages:

- 1. Harmony in policy decision and implementation:** With the help of centralization of authority, harmony can be established among different departments of the unit for policy decisions and implementation.
- 2. Clarity in duties:** As duties are fixed, there is no possibility of misunderstanding or confusion. Hence, it becomes easier to take work from them.
- 3. Effectiveness in activities:** The effectiveness and efficiency of the activities can be increased.
- 4. Maximum utilization:** As the resources and experts of the head office are in close proximity, their maximum utilization can be made possible.
- 5. Reduction in unproductive time:** With the more use of modern methods, machineries, the capacity is efficiently used, reducing the unproductive time.
- 6. Common standards** of work style can be maintained, which makes easier for the different functions of the unit.

Limitations:



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- 1. Delay in works:** Works are delayed because the decisions taken are made from chief officer to lowest level of employees. As there is a great distance between decision centre and implementation of decision, it delays the work.
- 2. Taking to much time:** As the top managers have to take all the decisions, they have to note down minor details. Thus, the time and energy are wasted.
- 3. Wastage of time and energy of top management**
- 4. Change in interpretation:** There is a possibility of change, misunderstanding and misinterpretation of the decisions because many mediators come in between.
- 5. Reduce spirit:** The employees at the lower level simply have to carry out work as per the decision; it becomes very routine and machine like work. They do not have any opportunity to think. Hence, their enthusiasm gets reduced.
- 6. Lack of development of personality:** The development low level officers are hampered due to centralization. They do not get experience of decision-making. They also do not get the opportunity to develop their creativity.
- 7. More work load on top manager:** Due to centralization of authority, the top managers remain loaded with heavy work. While the lower level employees become careless and without any tension.
- 8. More expensive:** In the modern era use of machinery and electronic instruments and service of experts proves expensive

Let's Revise

Sr. No	Question	Answer
1.	Centering the authority at the top level in the organization means	Centralization of authority
2.	In centralization important decisions of the unit are taken at _____ place.	Centre
3.	The managers take decision at the higher level or do planning or fix policies, which is known as	Centralization of authority
4.	Which is such human capacity, which provides direction and guidance in human activity?	Leadership
5.	Leadership provides what in human activity?	Direction
6.	Leadership provides what in human activity?	Guidance
7.	Co-ordination developed and establishes _____ with everyone.	Harmony
8.	Centralization become more effective by uniformity in	Policy
9.	Centralization become more effective by uniformity in	Work method
10.	The Centralization uniform standards for policy and work method are	Adopted
11.	The Centralization _____ for policy and work method are adopted.	uniform standards
12.	The common policies are helpful in deciding what?	Employee's salaries
13.	The common policies are helpful in deciding what?	Employee's facilities
14.	The common policies are helpful in deciding what?	Employee's promotion
15.	In centralization method during critical time decision are taken	Rapidly



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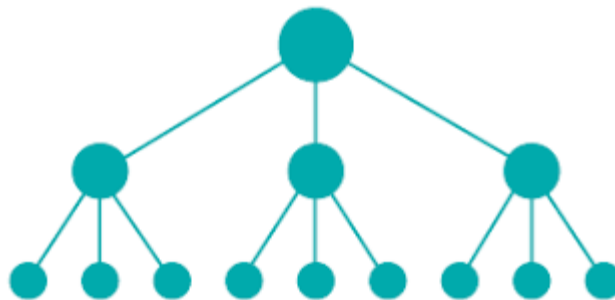
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16.	By which method during critical time decision are taken rapidly without wasting much of the time?	centralization
17.	Mention one of the factors which affect centralization of authority?	Leadership
18.	Mention one of the factors which affect centralization of authority?	Shortage of clever manager
19.	Mention one of the factors which affect centralization of authority?	Importance of decision making
20.	Mention one of the factors which affect centralization of authority?	Uniformity of policy
21.	Advantage of centralization of authority.	Effective control
22.	Advantage of centralization of authority.	Common standards
23.	Advantage of centralization of authority.	Clarity in duties
24.	Limitation of centralization of authority.	Wastage of time
25.	Limitation of centralization of authority.	More expensive

5. Short note on De-centralization of Authority.

Brief explanation on decentralization of authority

- When the organization delegates more responsible, more precious, more risky and more important decision — taking authority to lower level officers and assistants in more and more extent, it is called the decentralization of authority. More the expansion of authority more would be its decentralization.
- In the organization structure, more numbers of decisions taken by the lower level employees, better would be the decentralization.
- More the importance of decisions taken at the lower level better would be the decentralization.
- More the expansion of decisions taken at lower level better would be the decentralization.
- Less the control over the decisions taken at the lower level, better would be the decentralization.



[Decentralisation structure]

Objectives of Decentralization:

1. **Rapid decision-making** and lack of complexity.



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2. **Lack of clash** between the top management and departments.
3. **Non-formal and democratic** management.
4. **Lack of distance** between minimum officers of the organization with the maximum number of assistants.
5. The employees who can be promoted are available in large numbers.
6. Considering the weak managers by **competitive outcomes**.
7. **Lack of favoritism** by high officers and complete awareness about the managerial taken centrally decisions.

Factors Affecting Decentralisation



Factors affecting decentralization or objectives:

1. **Size and span of the unit:** Bigger the **size of the unit**, more time it takes for the top managers to take decisions. When the problems of co-ordination are created, then the decentralization of authority proves useful.
2. **Managerial work area of officer:** When the work area of the manager is expanded, then he has to delegate authority to his subordinates. To do so, with the help of decentralization of authority is extended, so that the administrative efficiency increases. It reduces the problems of co-ordination and duplication.
3. **Type of enterprise and basic policy:** Sometimes the type of enterprise is such that it becomes essential to have decision process established in the departments and sub-departments.
4. **Development at planning, co-ordination, control and information collection centre:** As there is rapid development in the accountancy, information collection and technology, on the one hand, some of the decisions draw towards top in the centre point of decisions, while on the other; they become the reason for decentralization of authority.



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- 5. The desire of officer to take independent decision:** The officers and subordinates at every level of organization have the desire to independently take the decisions with the awareness about the responsibilities. As they are pleased to do so with honor, then decentralization becomes easier.
- 6. For achieving results, necessity of decentralization:** Sometimes the type of work is such that the decisions are required to be taken at lower level, or by assistants or as per local situations. Division of labor, specialization, economic use of machinery, supply of raw material, market, and objectives of customers is determinants of decentralization of authority.
- 7. Business dynamism:** The decentralization of authority, to some extent, depends on the business dynamism. If there is rapid development of business and industry and consequently so many problems arise, then the management has to take decisions at the centre level for solving the problems, instead of it, if decentralization of authority is done, then the problems can be solved easily and rapidly.

Advantages of Decentralization

- 1. Reduce the work load of top managers:** In the centralized organization, the complete work load of the decisions remains on the managers. As the managers have to keep track of the smallest matters, proper time cannot be devoted to important tasks. In such a situation, by taking the services of experts or forming the committees much work load cannot be reduced. With the decentralization of authority the work load of top managers is reduced.
- 2. Makes departmentation possible:** The departmentation of the tasks can be easily carried out in the decentralized organization. In the centralized organization, departmentation of all the departments is not possible, because single-handed authority is adopted there.
- 3. Fulfils the requirement of future manager:** Due to decentralization of authority the officers and assistants at the different levels get the opportunity to take conscious decisions independently. This creates self-confidence in them and their creativity gets momentum. This leads to enthusiasm in them.
- 4. Efficiency and expertise can be tested:** The lower level officers get opportunity to take decisions and find out satisfactory solutions. This contributes substantially in fulfilling the unit's future requirement of managers.
- 5. By delegating the authority to take decisions at the lower level, their capacity can be assessed. Their efficiency and expertise are tested. Their qualities get chance to get exposure.**
- 6. Clash can be prevented:** With the help of decentralization, the clash between the top management and different departments of the organization can be prevented. Lower level officers are able to work independently.
- 7. Quick decision and rapid implementation is possible:** As the officers have the authority to take decisions on the spot, the decisions for the solution to problem, as and when they arise, are taken speedily and as its implementation has to be done there.

Limitations of Decentralization



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- 1. Administration cost increases:** There is a duplication of works. In the factory having its branches at different places, all the tasks and processes are required at all the five places separately; there is wastage of time, energy and money.
- 2. Sufficient use of skill is not done:** Sufficient use of intellect, skill, efficiency, expertise and knowledge and experience is not possible at the top level.
- 3. Shortage of qualified people:** At the lower levels there arises shortage of people being clever, capable and with Wisdom.
- 4. Co-ordination- harmony is difficult:** Due to decentralization of authority the officers at every level take independent decisions, it becomes difficult to maintain uniformity, co-ordination and harmony in the management.
- 5. Difficult in critical situation:** As different decisions are taken at different levels, if some changes are to be brought on the basis activities of the institute or rapid decisions are to be taken in critical situations, then it becomes difficult.
- 6. Short-sightedness leads to harm:** Every department head, in order to give importance to his own department, with short sightedness ignores the overall interest of the whole unit.
- 7. Control becomes difficult:** The decisions taken at different levels and its implementation are not rapidly reaching the head office. This makes difficult the task of controlling.
- 8. Risk of dis-content:** Due to decentralization of authority, the respect, status, authority and impact of top managers get reduced, leading to discontent among them.

Let's Revise

Sr. No	Question	Answer
1.	When the organization delegates more responsible, more precious, more risky and more important decision — taking authority to lower level officers and assistants in more and more extent, it is called	Decentralization of authority
2.	How much decentralization of authority in any given organization depends on what?	Extent of authority
3.	How much decentralization of authority in any given organization depends on what?	Decision process
4.	Mention one of the objectives of decentralization.	Non – formal
5.	Mention one of the objectives of decentralization.	Democratic management
6.	Mention one of the objectives of decentralization.	Lack of favoritism
7.	Mention one of the factors affecting decentralization.	Size of unit
8.	Mention one of the factors affecting decentralization.	Work area of officer
9.	Mention one of the factors affecting decentralization.	Business dynamism
10.	Mention one of the advantages of decentralization.	Reduce work
11.	Mention one of the advantages of decentralization.	Departmentation possible



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12.	Mention one of the advantages of decentralization.	Opportunity of development
13.	Mention one of the limitations of decentralization.	Cost rises
14.	Mention one of the limitations of decentralization.	Insufficient use of skill
15.	Mention one of the limitations of decentralization.	Risk of discontent



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6. short note on Departmentation.

Brief explanation on Departmentation

When the size of a business unit exceeds certain limits, then it becomes difficult to maintain control over its expanding activities. More the size and activities, more difficult becomes its control. To solve this situation, the principle of departmentation is adopted. When the employees and their activities are arranged in accordance with the authority and duties delegated to them, then it can be said that the administration has used the principle of departmentation. The general meaning of departmentation means grouping of activities and delegation of authority.

Objectives of departmentation:

1. With the division made of the functions and activities of the business, every person has to do only one task, making that person expert in it.
2. In the base of organization as per work are the divisions of labor and work division. By accepting the departmentation, there is the objective to obtain benefits of organization as per work.
3. To entrust the responsibility of the concerned department to its officer and making him responsible for his department.
4. For easily managing every department also departmentation is accepted.
5. The tasks of control and supervision can be carried out easily. Due to departmentation, the officer has to supervise only certain number of employees, so that it becomes easy for controlling.
6. Through the administrative smoothness and specialization in the activities work is made simple and speedy also. Due to this, the customers are provided speedy and better service.

Process of departmentation:

- Departments mean the broader functions of managerial workgroups.
- The departments are created by decentralizing the functions of administration.
- Thus, departmentation is the decentralization of managerial activities. This decentralization method is related with delegating the functions.
- The management pushes down the authority and responsibility towards the lower level. With the expansion of departmentation, the persons holding top management posts get far away from the persons working at lower levels.

Departmentation method:

1. First of all a scientific plan is prepared after necessary discussion for the departmentation.
2. The top management keeps with itself the right to take over-all co-ordination related decisions in this planning. Delegation of authority for other matters is decided in it.
3. After detailed classification of business activities, they are divided in to the departments.
4. For every department, a departmental head is appointed and he is delegated with authority.



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5. Special care is taken to see to it that each department has its independence, so that the problem of co-ordination does not become difficult.
6. Arrangement is made for supervision and guidance from the top management on every department. Only the top management handles the function of overall "Co-ordination."

Let's Revise

Sr. No	Question	Answer
1.	To solve the situation more size of people and activities which concept is going to use?	Departmentation
2.	For better administration which principle is going to be follow by organization?	Departmentation
3.	Principle of departmentation is used for	Effective-coordination
4.	Principle of departmentation is used for	Effective-control
5.	Principle of departmentation is used for	Effective - maintenance
6.	Employees and their activities are arranged in accordance with	Departmentation
7.	Grouping of activities and delegation of authority is called	Departmentation
8.	Main objectives of departmentation.	Specialization
9.	Main objectives of departmentation.	Easiness of control
10.	Main objectives of departmentation.	Easy and speedy task
11.	Mention one of the type of departmentation.	Regional
12.	Mention one of the type of departmentation.	As per commodity
13.	Mention one of the type of departmentation.	Process
14.	When the managerial activities are divided as per the geographical work is called	Regional departmentation
15.	When the groups for carrying out managerial functions are divided as per the production process is called	Departmentation as per process
16.	All a scientific plan is prepared after discussion in departmentation which stage?	First
17.	Co-ordination function is developed in departmentation which stage?	Last

7. Explain various types of Departmentation.

Types of Departmentation: Generally, following six types of departmentation are found in the organization.

1. Regional departmentation
2. Departmentation as per commodity
3. Customer-oriented departmentation
4. Departmentation as per process
5. Departmentation as per functions



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6. Departmentation based on number of persons

1. **Regional Departmentation:** When the managerial activities are divided as per the geographical work area of the business unit, it is called regional departmentation. Here, the work area of each department is arranged as per geographical region. For every department is provided different employee groups like production, sales, accounts etc. In the main office also assistants are appointed as per the regional activities. Every department has an officer. It is formed with two objectives. First, to satisfy the requirements of customers. Second, objective to obtain benefit of business opportunities of local nature.

Advantages:

1. The units dealing in national and international levels find it easy for administration.
 2. When the product or service is to be provided in far geographical areas, then it becomes easy for the regional departmentation.
 3. Despite the rise in total mgt cost, it can be set off by the economic measures possible through its increased efficiency.
 4. Rapid decision can be taken. This leads to rise in efficiency not only that the managers, officers and employees get the opportunity of administrative experience.
2. **Departmentation as per the product:** When the independent and well-planned departments are decided keeping in view the products manufactured by the business unit, then it is called the departmentation as per the product. Here, every product — department is self-reliant and they themselves carry out all the tasks related to them.

Following units generally follow such type of organization:

1. Government
2. Department store,
3. Wholesale and retail traders
4. Manufacturers
5. Government public sector enterprises providing public service.
6. Social clubs, universities and relief institutes.

Its objective is:

1. When multi-products are manufactured, to pay attention to the manufacturing of each product.
2. The second objective is the maximum utilization of the products having special characteristics.

Utility and benefits of departmentation:

1. Every component like, production, employees, finance, distribution etc. is given separate department. Hence, money market` and other resources are maximum utilized.



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2. As all the activities related to the product remains in the same department so the problem of co-ordination is eased out.
3. Complete advantage of employee's skill and special knowledge.

Limitations:

1. When the unrelated products are manufactured, then it proves expensive. Moreover, co-ordination becomes difficult. This leads to instability in the administrative structure.
2. If the manufactured goods are divided as per product, then it has to be replicated in other activities also. This raises cost and extra work and co-ordination becomes difficult.
3. **Departmentation based on customers:** When the customers are given special types of services, then customer-oriented departmentation is adopted. Here, every department remains active to satisfy its special customers or group of customers. For example, retail trader, wholesaler and selling through contract. For all of them a separate department can be maintained.

Advantages: The requirements of different types of customers can be known as well as satisfied. Sales promotion programmes can be effectively implemented. A satisfied class is created and maintained.

Limitations: If practically seen, such division is not possible. Moreover, if such types of departments are given special facilities, then other departments may also demand the same. This will increase the cost. In the times of recession the consumer department would prove burdensome, while during the bullish conditions, it expands. Thus, instability rises in the administration.

4. **Departmentation as per process:** When the groups for carrying out managerial functions are divided as per the production process, then it is called departmentation as per process. Here, every process or its related groups is separated into different departments. Particularly, in the lowest level of organization, departmentation as per process is done in order to have maximum utilization of manpower and products.

This method can be used for obtaining advantages of specialization. This method is also useful for supervision, control and increasing productivity. It proves economical in the process where special types of tools are required. With the help of this method average production cost can be reduced.

5. **Departmentation as per work:** In this type of departmentation, the important functions of the business unit like production, purchasing, sales etc. are divided into sub-sections as per its functioning. For example, two sub-sections of sales department are made called sales promotion section and advertising section. Large scale industries adopt such departmentation.

This natural and logical departmentation provides proper opportunities to persons holding special knowledge and capacity.

There are some limitations for this method of departmentation. Employees working in the sub-sections become narrow-minded. They may not clearly be able to understand the objective of the business.

For the success of departmentation as per work, following steps can be taken:

- (i) The sectional officer should not be entrusted the task is not related to him.



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- (ii) Clearly explain the objective of business to every officer an employee.
(iii) Wherever possible, adopt regional sub-section.

Besides the above five types of divisions, there is sixth type of division under which more than one methods are adopted. It becomes essential sometimes to do so for accomplishing the objectives.

6. **Departmentation on the basis of number of persons:** For accomplishing the objectives of the unit in an integrated manner, when the labor is inevitable and the numbers of persons are very high, then the departmentation is done in this manner. Proper or necessary groups are formed and such a group is covered under a department. In the army, the division is done as per this method.

Such a departmentation carried out at the lower level of organization becomes very useful. Generally, where unskilled employees working at lower level, this method is adopted, where there is importance of labor and other factors do not hold much importance.

Let's Revise

Sr. No	Question	Answer
1.	Mention one of the type of departmentation.	Regional
2.	Mention one of the type of departmentation.	As per commodity
3.	Mention one of the type of departmentation.	Process
4.	When the managerial activities are divided as per the geographical work is called	Regional departmentation
5.	When the groups for carrying out managerial functions are divided as per the production process is called	Departmentation as per process
6.	There are how many times of departmentation?	Six
7.	By the departmentation we can raise the efficiency of	Work, activity, employee
8.	When there multi product are manufactured at that time , departmentation will be done as per	Product
9.	When departmentation will be done as per business unit such as production, manufacturing, marketing etc is called	Departmentation as per work
10.	There are how many methods of departmentation ?	Two
11.	Mention one of the method of departmentation	Delegation of task
12.	Mention one of the method of departmentation	Decentralization
13.	One of the important features of departmentation.	Specialization
14.	One of the important features of departmentation.	Discipline
15.	One of the important features of departmentation.	Easy task
16.	One of the important limitations of departmentation	High managerial cost
17.	One of the important limitations of departmentation	Disharmony



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8. Selection of types of Departmentation.

Selection of type of departmentation:

- Departmentation is just an arrangement of activities carried out for accomplishing objectives. Every method has certain advantages and limitations also. Which form of departmentation is the best, can be ascertained by evaluating it at the every level of administration on the basis of its utility.
- When the departmentation is to be carried out at the top level, then departmentation as per work becomes more convenient. For example, by carrying out department-wise departmentation of production, accounting, purchase, sales etc. the top management has just to co-ordinate the tasks of departmental officers.
- At the lower level supervisor, foreman or jobbers play an important role. Hence, the departmentation should be carried out on the basis of process or work.
- At the middle level, any type of departmentation can be possible. For example, it can be done on the basis of product, sales territories or on finance functions.

Methods of departmentation:

1 Delegation of task: When the to officers delegate certain tasks to some others on the basis of his designation, then it is called delegating the task. The task which cannot be delegated to anyone, remain with the top officer. The remaining tasks are divided among his subordinates and employees. Just delegating the tasks is not over, it is required to be seen whether that task is carried out properly or not. The line of accountability flows upwards.

2 Decentralization: Delegating task and decentralization has the direct relation. The delegating task is the cause, while decentralization is its outcome. Proper balancing between them is very essential. Due to following reasons, the need of decentralization arises for the departmentation:

- (1) By appointing the departmental officers the burden of top officers is reduced. They are able to concentrate on the matters like research and development.
- (2) Decentralization provides opportunity to proceed ahead to the employees and officers. For going close to the post of responsibility, it provides training and education.
- (3) Confusions are prevented, which makes the unit efficient and easy.
- (4) Decentralization prevents the rise in administrative levels.
- (5) Every work can be coordinated easily at the level of department.
- (6) Despite it being costly, decentralization improves the working.
- (7) The competition among the decentralized departments increases efficiency.



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Risk factors or disadvantages:

1. Decentralization is **proved expensive** for small business units.
2. If there is no specific arrangement for overall **co-ordination** then it creates **disharmony and difficulties**.
3. Officers of the **departments wish to have complete independence**. Hence, overall co-ordination becomes difficult.
4. Where the **process of the business is complex**, they departmentation cannot be introduced easily.
5. Where there is **need of uniformity in decision, policy and methods**, it is not proper to introduce decentralization.

Advantages — Importance of Departmentation:

1. **It makes possible quick decision and rapid implementation**, so that the unit becomes efficient. The officers and employees get the opportunities of administrative experiences.
2. The **benefit of employee's skill, cleverness, special knowledge** can be obtained, providing opportunities for the development of persons.
3. With departmentation, the **work load of top officers gets reduced**. Hence, they are able to concentrate on policy related important tasks of the unit. They are able to provide more energy and time towards it.
4. Due to departmentation, **the tasks are made easy, clear and rapid with the help of specialization** of administrative activities.
5. **Co-operation and sense of co-existence is cultivated among different departments** by the departmentation.
6. The problems of **supervision and control are removed** due to departmentation and discipline is maintained in the unit due to departmentation.
7. With the formation of separate **independent departments for important tasks, decisions can be taken at the concerned level**. This helps cancel the additional levels. The tasks like staff contact, direction, guidance and controlling can be carried out easily and with efficiency.
8. With the regional departmentation, **despite rise in total managerial cost, it is set off by the efficiency made possible due to departmentation**.
9. With the help of regional departmentation, **benefit of uncertain situation** can be taken.



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Disadvantages — Limitations of Departmentation:

1. By adopting departmentation **more departments are required to be opened up which leads to more administrative expenses** for the department officers. This cannot be afforded by small units.
2. With more departments, if there is **no overall systematic co-ordination**, then disharmony and problems are created.
3. If the **department officers wish to have complete independence**, then management and control at the top level becomes difficult.
4. The **processes in those industries are complex, then it becomes difficult to introduce departmentation** there.
5. Tasks like accounting and staff service are required to be carried out at both the **department and central levels; there is duplication of tasks**, leading to wastage of time and energy.
6. Where there is need to bring **in uniformity in policy, decisions, methods etc.** departmentation proves futile.
7. The **burden of expensive departments in recession** may prove fatal for the unit.

Suggestions for making effective- departmentation:

1. The place of **department officer** should carry self-respect, providing him proper authority.
2. It has to be seen that every department is **made perfect of its own**.
3. There should be **balancing** between centralization and decentralization.
4. Employees and officers should be **imparted proper training**.
5. **Tasks and duties** should be **clearly** made.
6. Employees and officers should get **proper encouragement**.

Let's Revise

Sr. No	Question	Answer
1.	By the departmentation we can raise the efficiency of	Work, activity, employee
2.	When there multi product are manufactured at that time , departmentation will be done as per	Product
3.	When departmentation will be done as per business unit such as production, manufacturing, marketing etc is called	Departmentation as per work
4.	There are how many methods of departmentation ?	two
5.	Mention one of the method of departmentation	Delegation of task



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6.	Mention one of the method of departmentation	Decentralization
7.	One of the important features of departmentation.	Specialization
8.	One of the important features of departmentation.	Discipline
9.	One of the important features of departmentation.	Easy task
10.	One of the important limitations of departmentation	High managerial cost
11.	One of the important limitations of departmentation	Disharmony
12.	Risk factor with departmentation	expensive
13.	For which type of business unit departmentation method proved expensive	Small
14.	For small scale business unit departmentation method proved	expensive
15.	There is no particular and co-ordination and arrangement in	departmentation
16.	Over all coordination will become difficult in	departmentation
17.	One of the suggestions for making effective departmentation.	Department officer
18.	One of the suggestions for making effective departmentation.	Proper training
19.	For making effective organization task and duties should be _____ made	clearly
20.	For making effective organization employee and officer should get proper _____	encouragement
21.	There should be _____ between centralization and decentralization for making effective organization.	Balnce
22.	Now a day's which concept of organization is become popular ?	Matrix organization
23.	Matrix organization is also known as	Grid organization
24.	With concept of departmentation work load of high officer get	reduced
25.	The problem of supervision and control are removed in process of	departmentation



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