UNIT 2

Planning:

Planning is the process by which managers establish goals and define the methods by which these goals are to be attained. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternative future courses of action.

Planning is deciding in advance what is to be done; that is a plan is a projected course of action."

7 Main Nature and Features of Planning in Business

The following facts come to light about its nature and features:

(1) Planning Focuses on Achieving Objectives:

Management begins with planning and planning begins with the determining of objectives. In the absence of objectives no organisation can ever be thought about. With the determining of objective, the way to achieve the objective is decided in the planning.

In case, it is necessary to change the previously decided course of action for the attainment of objectives, there is no hesitation to do so. It is thus clear that planning is helpful in the attainment of objectives.

For example, a company decides to achieve annual sales of? 12 crores. After deciding upon this objective, planning to achieve this objective shall immediately come into force. It was thought to achieve this objective by giving advertisement in the newspapers.

After some time it comes to be known that the medium of advertisement appeared to be incapable of achieving the target. In such a situation the medium of advertisement can be changed and it can be shifted from newspapers to television in this way, every possible change is made through the planned action for the purpose of achieving the objective.

(2) Planning is Primary Function of Management:

Planning is the first important function of management. The other functions, e.g., organising, staffing, directing and controlling come later. In the absence of planning no other function of management can be performed.

This is the base of other functions of management. For example, a company plans to achieve a sales target of 112 crores a year. In order to achieve this target the second function of management, i.e., organising comes into operation.

Under it the purchase, sales, production and financial activities are decided upon. In order to complete these activities, different departments and positions are decided upon. The authority and responsibility of every position are decided upon.

After the work of organising, information about the number of different people at different levels required to achieve the objective shall have to be provided. This job will be performed under staffing. Similarly, planning is the base of other functions like directing and controlling.

(3) Planning is Pervasive:

Since the job of planning is performed by the managers at different levels working in the enterprise, it is appropriate to call it all-pervasive. Planning is an important function of every manager; he may be a managing director of the organisation or a foreman in a factory.

The time spent by the higher-level managers in the process of planning is comparatively more than the time spent by the middle-level and lower-level managers. It is, therefore, clear that all the managers working in an enterprise have to plan their activities.

For example, the decision to expand business is taken by the higher-level managers. The decision to sell products is taken by the middle-level and lower-level managers.

(4) Planning is Continuous:

Planning is a continuous process for the following reasons:

(a) Plans are prepared for a particular period. Hence, there is need for a new plan after the expiry of that period.

(b) In case of any discrepancy plans are to be revised.

(c) In case of rapid changes in the business environment plans are to be revised.

(5) Planning is Futuristic:

Planning decides the plan of action what is to be done, how is it to be done, when it to be done, by whom is it to be done all these questions are related to future. Under planning, answers to these questions are found out.

While an effort is made to find out these answers, the possibility of social, economic, technical and changes in legal framework are kept in mind. Since planning is concerned with future activities, it is called futuristic.

For example, a company is planning to market a new product. While doing so it shall have to keep in mind the customs and the interests/tastes of the people and also the possibility of any change in them.

(6) Planning Involves Decision Making:

Planning becomes a necessity when there are many alternatives to do a job. A planner chooses the most appropriate alternative. Therefore, it can be asserted that planning is a process of selecting the best and rejecting the inappropriate. It is, therefore, observed that planning involves decision making.

For example, Mr. Anthony lives in a town where only commerce stream is taught in schools. His daughter has passed matrix and wants to get admission in 10 + 1. It is evident that there is only one option for her, i.e., commerce.

She doesn’t have to think or plan anything. On the other hand, if all the three faculties’ art, science & commerce were available in the schools, she would have to definitely think and plan about the subject of study. It would have been be nothing but decision making in this case.

(7) Planning is a Mental Exercise:

Planning is known as a mental exercise as it is related to thinking before doing something.

Characteristics of Planning:

1. **Planning is goal-oriented.**
   a. Planning is made to achieve desired objective of business.
   b. The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
   c. Planning identifies the action that would lead to desired goals quickly & economically.
   d. It provides sense of direction to various activities. E.g. Maruti Udhyog is trying to capture once again Indian Car Market by launching diesel models.
2. **Planning is looking ahead.**
   a. Planning is done for future.
   b. It requires peeping in future, analyzing it and predicting it.
   c. Thus planning is based on forecasting.
   d. A plan is a synthesis of forecast.
   e. It is a mental predisposition for things to happen in future.
3. **Planning is an intellectual process.**
   a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.
   b. It is not a mere guesswork but a rotational thinking.
   c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
   d. Planning is always based on goals, facts and considered estimates.
4. **Planning involves choice & decision making.**
   a. Planning essentially involves choice among various alternatives.
   b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
   c. Thus, decision making is an integral part of planning.
   d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.
5. **Planning is the primary function of management / Primacy of Planning.**
   a. Planning lays foundation for other functions of management.
   b. It serves as a guide for organizing, staffing, directing and controlling.

c. All the functions of management are performed within the framework of plans laid out.
d. Therefore planning is the basic or fundamental function of management.

6. **Planning is a Continuous Process.**
    a. Planning is a never ending function due to the dynamic business environment.
    b. Plans are also prepared for specific period f time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
    c. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.
7. **Planning is all Pervasive.**
    a. It is required at all levels of management and in all departments of enterprise.
    b. Of course, the scope of planning may differ from one level to another.
    c. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.
8. **Planning is designed for efficiency.**
    a. Planning leads to accompishment of objectives at the minimum possible cost.
    b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.
    c. A plan is worthless or useless if it does not value the cost incurred on it.
    d. Therefore planning must lead to saving of time, effort and money.
    e. Planning leads to proper utilization of men, money, materials, methods and machines.
9. **Planning is Flexible.**
    a. Planning is done for the future.
    b. Since future is unpredictable, planning must provide enough room to cope with the changes in customer’s demand, competition, govt. policies etc.
    c. Under changed circumstances, the original plan of action must be revised and updated to male it more practical.

Importance/Significance of Planning:

1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties:

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:

The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making:

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling:

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company:

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

Limitations of Planning:

1. Planning leads to rigidity:

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment:

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

3. It reduces creativity:

With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

4. Planning involves huge Cost:

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

5. It is a time consuming process:

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success:

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

7. Lack of accuracy:

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

For example, if in the plan it is assumed that there will be 5% inflation rate and in future condition the inflation rate becomes 10% then the whole plan will fail and many adjustments will be required to be made.

Planning Process/Steps in 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.

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.

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 managers 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.

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.

Types of planning:

(i) Nature of Planning:

a. Formal planning.

b. Informal planning.

(ii) Duration of planning:

a. Short term planning.

b. Long term planning.

(iii) Levels of Management:

a. Strategic planning.

b. Intermediate planning.

c. Operational planning.

(iv) Use:

a. Standing plans

b. Single-use plans.

(i) Nature of Planning:

a. Formal Planning:

Planning is formal when it is reduced to writing. When the numbers of actions are large it is good to have a formal plan since it will help adequate control.

The term formal means official and recognised. Any planning can be done officially to be followed or implemented. Formal planning is aims to determine and objectives of planning. It is the action that determine in advance what should be done.

Advantages:

1. Proper Cooperation among employees,
2. Unity of Action,
3. Economy,
4. Proper coordination and control,
5. Choosing the right objectives, and
6. Future plan.

b. Informal Planning:

An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

(ii) Duration of Planning:

a. Short term Planning:

Short term planning is the planning which covers less than two years. It must be formulated in a manner consistent with long-term plans. It is considered as tactical planning. Short-term plans are concerned with immediate future; it takes into account the available resources only and is concerned with the current operations of the business.

These may include plans concerning inventory planning and control, employee training, work methods etc.

Advantages:

1. It can be easily adjustable.
2. Changes can be made and incorporated.
3. Easy to Gauge.
4. Only little resources required.

Disadvantages:

1. Very short period-left over things will be more.
2. Difficult to mobiles the resources.
3. Communication cycle will not be completed.

b. Long-Term Planning:

Long-term planning usually converse a period of more than five years, mostly between five and fifteen years. It deals with broader technological and competitive aspects of the organisation as well as allocation of resources over a relatively long time period. Long-term planning is considered as strategic planning.

Short-term planning covers the period of one year while long term planning covers 5-15 years. In between there may be medium-term plans. Usually, medium term plans are focusing on between two and five years. These may include plan for purchase of materials, production, labour, overhead expenses and so on.

Advantages:

1. Sufficient time to plan and implement.
2. Effective control.
3. Adjustment and changes may be made gradually.
4. Periodic evaluation is possible.
5. Thrust areas can be identified easily.

6. Weakness can be spotted and rectified then and there.

Disadvantages:

1. Prediction is difficult.
2. Full of uncertainties.
3. Objectives and Targets may not be achieved in full.
4. More resources required.

(iii) Levels of Management:

a. Strategic Planning:

The strategic planning is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objective. It is conducted by the top management, which include chief executive officer, president, vice-presidents, General Manger etc. It is a long range planning and may cover a time period of up to 10 years.

It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the dynamic environment. The planning also determines the direction the company will be taking in achieving these goals.

b. Intermediate Planning:

Intermediate planning cover time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line mangers. They also have the task of polishing the top managements strategic plans.

The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial and material factors. They refine the broad strategic plans into more workable and realistic plans.

c. Operational Planning:

Operational planning deals with only current activities. It keeps the business running. These plans are the responsibility of the lower management and are conducted by unit supervisors, foremen etc. These are short-range plans covering a time span from one week to one year.

These are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans .ire divided into functional areas such as production, finance, marketing, personnel etc.

Thus even though planning at all levels is important, since all levels are integrated into one, the strategic planning requires closer observation since it establishes the direction of the organisation.

(iv) Use:

a. Standing Plan:

Standing plan is one, which is designed to be used over and over again. Objectives, policies procedures, methods, rules and strategies are included in standing plans. Its nature is mechanical. It helps executives to reduce their workload. Standing plan is also called routine plan. Standing or routine plan is generally long range.

b. Single Use Plan:

Single use plan is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved. They may include programme, budgets, projects and schedules. It is also called specific planning. Single use plan is short range.

Types of Plan

Planning is a pervasive function of management, it is extensive in its scope. So all managers across all levels participate in planning. However, the plans made by the top level manager will differ from the ones that lower managers make.

Plans also differ from what they seek to achieve and what methods will be used to achieve them. So let us look at the types of plans that managers deal with.

Objectives

This is the first step in planning the action plan of the organization. Objectives are the basics of every company and the desired objective/result that the company plans on achieving, so they are the endpoint of every planning activity.

For example one of the objectives of an organization could be to increase sales by 20%. So the manager will plan all activities of the organization with this end objective in mind. While framing the objectives of the organization some points should be kept in mind.

- Objectives should be framed for a single activity in mind.
- They should be result oriented. The objective must not frame any actions
- Objectives should not be vague, they should be quantitative and measurable.
- They should not be unrealistic. Objectives must be achievable.

Strategy

This obviously is the next type of plan, the next step that follows objectives. A strategy is a complete and all-inclusive plan for achieving said objectives. A strategy is a plan that has three specific dimensions

i. Establishing long-term objectives

ii. Selecting a specific course of action

iii. allocating the necessary resources needed for the plan

Forming strategy is generally reserved for the top level of management. It actually defines all future decisions and the company's long-term scope and general direction.

Policy

Policies are generic statements, which are basically a guide to channelize energies towards a particular strategy. It is an organization's general way of understanding, interpreting and implementing strategies. Like for example, most companies have a return policy or recruitment policy or pricing policy etc.

Policies are made across all levels of management, from major policies at the top-most level to minor policies. The managers need to form policies to help the employees navigate a situation with predetermined decisions. They also help employees to make decisions in unexpected situations.

Procedure

Procedures are the next types of plan. They are a stepwise guide for the routine to carry out the activities. These stepwise sequences are to be followed by all the employees so the activities can be fulfilled in an organized manner.

The procedures are described in a chronological order. So when the employees follow the instructions in the order and completely, the success of the activity is pretty much guaranteed.

Take for example the procedure of admission of a student in a college. The procedure starts with filling out an application form. It will be followed by a collection of documents and sorting the applications accordingly.

Rules

Rules are very specific statements that define an action or non-action. Also, rules allow for no flexibility at all, they are final. All employees of the organization must compulsorily follow and implement the rules. Not following rules can have severe consequences.

Rules create an environment of discipline in the organization. They guide the actions and the behaviour of all the employees of the organization. The rule of "no smoking" is one such example.

Program

Programmes are an in-depth statement that outlines a company's policies, rules, objectives, procedures etc. These programmes are important in the implementation of all types of plan. They create a link between the company's objectives, procedures and rules.

Primary programmes are made at the top level of management. To support the primary program all managers will make other programs at the middle and lower levels of management.

Methods

Methods prescribe the ways in which in which specific tasks of a procedure must be performed. Also, methods are very specific and detailed instructions on how the employees must perform every task of the planned procedure. So managers form methods to formalize routine jobs.

Methods are very important types of plan for an organization. They help in the following ways

- give clear instructions to the employees, removes any confusion
- Ensures uniformity in the actions of the employees
- Standardizes the routine jobs
- Acts as an overall guide for the employees and the managers

Budget

A budget is a statement of expected results the managers expect from the company. Budgets are also a quantitative statement, so they are expressed in numerical terms. A budget quantifies the forecast or future of the organization.

There are many types of budgets that managers make. There is the obvious financial budget, that forecasts the profit of the company. Then there are operational budgets generally prepared by lower-level managers. Cash budgets monitor the cash inflows and outflows of the company.

Characteristics of a Sound Plan

A sound plan should have the following characteristics:

Primacy: Planning is an important managerial function that usually precedes other functions. Obviously, without setting the goals to be reached and the lines of actions to be followed, there is nothing to organize, to direct, or to control in the enterprise. But this should not lead us to think that planning is isolated from other managerial functions.

Continuity: Planning is a continuous and never ending activity of a manager to keep the enterprise as a going concern. One plan begets another plan to be followed by a series of other plans in quick succession. Actually, a hierarchy of plans operates in the enterprise at any time. Planning gets used up where tomorrow becomes today and calls for further planning day in and day out. Again, the incessant changes make re-planning a continuous necessity.

Flexibility: Planning leads to the adoption of a specific course of action and the rejection of other possibilities. This confinement to one course takes away flexibility. But if future and assumptions upon which planning is based prove wrong, the course of action is to be modified for avoiding any deadlock. Accordingly, when the future cannot be molded to conform to the course of action, the flexibility is to be ingrained in planning by way of adapting the course of action to the demands of current situations.

Consistency: Planning is made by different managers at different times. Maintenance of consistency or the unity of planning is one of its essential requirements. Objectives provide the common focus for unifying managerial action in planning. Moreover, policies and procedures introduce a consistency of executive behaviour and action in matters of planning.

Precision: Planning must be precise with respect to its meaning, scope and nature. As guides to action, planning is to be framed in intelligible and meaningful terms by way of pinpointing the expected results. Planning must be realistic in scope rather than being dreams indicating pious desires. As planning errors are far more serious and cannot be offset by effective organizing or controlling, the accuracy and precision is of outmost importance.

Pervasiveness: Planning is a pervasive activity covering the entire enterprise and every level of management. Planning is not the exclusive responsibility of top management only. But it extends to middle and lower managements as well. Although top managers are mostly preoccupied with planning because of the wider scope of operational and decision making authority, planning is of equal importance to every manager.

Objectives:

Mc. Farland defines objectives, “Objectives are the goals, aims, or purposes that organizations wish to achieve over varying periods of time.”

Features of Objectives:

Following are the features of objectives:

1. Every organization has objectives rather it is started to achieve certain objectives. All the members of an organization channelize their energies to achieve the stated goals.

2. The objectives of a business organization may be broad as well specific. These may be set for the whole organization or different segments of it. The objectives may be for long term or short periods. The overall objectives of the organization are supported by the sub objectives. For example, the objective of earning a certain percentage of profit in a particular year will be achievable only if objectives of manufacturing, marketing, finance departments support it.

3. Objectives have hierarchy. At organizational level broad objectives are fixed by the top level management. The broad objectives are specified at departmental level and then they are derived for different sections. Various objectives at different levels try to achieve organizational objectives.

4. An organization tries to fulfill the needs and aspirations of society. The organizational objectives should have social sanctions since these are social units. The aspirations of society should be reflected from the business objectives.

5. Business objectives may change as per the environmental changes or change in social needs. The present objectives may have to be changed as per the new situations. The objective of earning profits has of late been associated with the social responsibility of business. Similarly, new objectives may be added or old objectives may be modified or changed.

6. All organizational objectives are inter-related. The achievement of main objectives will require the achievement of subordinate objectives also. The non- achievement of small objectives will also mean the non- achievement of main objective. So all the objectives are inter-related and they cannot be taken up independently.

7. Another important characteristic of objectives is their multiplicity. There may be a number of objectives for which a concern may strive to achieve at the same time. The major objectives may also be more. At every hierarchical level too, the objectives may be many. Different areas of business have their own objectives. Management should try to achieve all the objectives efficiently and effectively.

8. The objectives should be based on practical situations. They should also take into account the philosophy and thinking of the management. The objectives should be realistic so that they may be converted into actual performance. Unrealistic objectives do more harm than good because they discourage the employees rather than encouraging them.

Classification of Objectives:

Management objectives can be classified as follows:

1. Primary Objectives:

These are the objectives for which a company has been started. Every business aims to earn more and more profits out of its working. Primary objectives are related to the company and not to individuals. Earning of profits out of providing goods and services to the customers is the primary objective of a company. The goods and services are provided as per the requirements of customers. Earning profits through customer satisfaction helps in earning goodwill and regular clientele. The production of goods and services as per determined targets will be achieved through individual goals of employees in the organization.

2. Secondary Objectives:

These objectives help in achieving primary objectives. The targets are identified and efforts are made to increase efficiency and economy in the performance of work. The goals dealing with analysis, advice and interpretation provide support to goals directed by primary objectives. Secondary objectives, like primary objectives, are impersonal in nature. The primary goal of earning profits through providing goods and services will be achieved if there is a plan to add new products in the market at regular intervals. The goal of adding new products will be a secondary goal which will help in achieving the primary objective.

3. Individual Objectives:

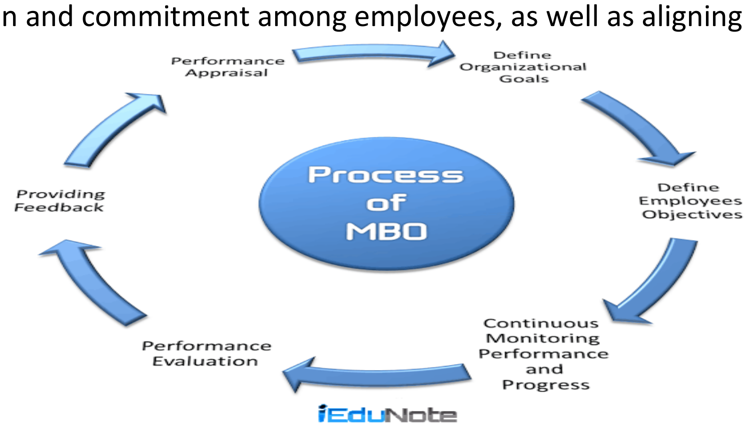
These are the goals which individual members in an organization try to achieve on daily, weekly, monthly or yearly basis. These objectives are achievable as subordinate to primary and secondary goals. Most of the individual objects are economic, psychological or non-financial rewards which an individual tries to achieve by using resources of time, skill and effort. An individual tries to satisfy his needs and desires by working in an organization. In order to motivate individuals for raising their performance, organizations offer varied incentives.

4. Social Objectives:

These are the goals of an organization towards society. These include the obligations required by the community, government agencies etc. These also include goals intended to further social, physical and cultural improvement of the society. Social obligations of business has become essential these days. Business has to produce goods and services by taking into consideration health requirements of people. There are expectations that business should also spent a part of its profits for the welfare of community.

Management by Objectives (MBO):

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning



objectives across the organization.

The 6 steps of the MBO process are;

1. Define organizational goals
2. Define employees objectives
3. Continuous monitoring performance and progress
4. Performance evaluation
5. Providing feedback
6. Performance appraisal

1. Define Organizational Goals

Goals are critical issues to organizational effectiveness, and they serve a number of purposes. **Organizations can also have several different kinds of goals**, all of which must be appropriately managed.

And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. Continuous Monitoring Performance and Progress

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

- Identifying ineffective programs by comparing performance with pre-established objectives,
- Using **zero-based budgeting**,
- Applying MBO concepts for measuring individual and plans,
- Preparing long and short-range objectives and plans,
- Installing **effective controls**, and
- Designing a sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. Performance Evaluation

Under this MBO process performance review is made by the participation of the concerned managers.

5. Providing Feedback

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions.

This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of the MBO process.

Management by Exception:

It is a system of identification and communication that signals the manager as to when and where his attention is needed. The main object of this system is to enable the manager to identify and isolate the problems that call for decision and action, and avoid or ignore or pay less attention to less critical problems which better be handled by his subordinates.

Under this system the manager should receive only condensed, summarised and invariable comparative reports covering all the elements, and he should have all the exceptions to the past averages or standards pointed out, both the specially good and the specially bad exceptions.

Advantages of Management by Exception:

1. It saves time. Manager attends to real problems at a particular point of time.

2. Concentrated efforts are possible, as this system enables the manager to decide when and where he should pay his attention. It identifies crisis and critical problems.

3. Lesser number of decisions is required to be taken, which enables the manager to go into detail.

4. This enables to increase span of control and increase the activities for a manager.

5. Use of past trends, history and available data can be made fully.

6. It alarms the management about the good opportunities as well as difficulties.

7. Qualitative and quantitative yardsticks are provided for judging the current position.

8. It prevents management from over managing.

Limitations of Management by Exception:

Management by exception is not a solution to all management problems; it has its limitations as well.

Some of them are:

1. It requires a comprehensive observing and reporting system.
2. It increases paper work.
3. The system is silent till the problem becomes critical.
4. Some important factors, like human behaviour, are difficult to measure.

System of Management by Exception:

The system of Management by Exception can be evolved in following phases:

I Phase: Measurement Phase:

In this phase, facts of operational situation are collected and assessed, i.e., use of performance of its whole range inputs such as efforts contributing to the goals of the organisation; its productivity, money flow, effectiveness of financial resources being used to produce goods, services and profits; availability and wastage of material and its economy from its purchase through processing and storing to delivery for finished products utilisation, capability and productivity of the machines.

The information about all these factors are utilised by way of quantitative measurements like using time standards, balance sheet data, inventory data, inspection results of finished products, inventory accumulation for sales, current assets, equipment utilisation data.

II Phase: Projection Phase:
In this phase, analysis of those measurements which are meaningful to the objectives of the organization for future outlook or expectations is carried out. Past and present data are projected by using the statistical concept like probability, standard deviation, confidence, correlation, sample size, significance etc.

Examine the potential effect of changes expected as per forecast. Then the projections are modified by the forecasts to decide the ‘goals’. At this stage complete planning is thoroughly looked at from the angle of existing policies and procedures, organisation structure, adequacy and capability of the existing staff and equipment. If need arises necessary changes are made.

III Phase: Selection Phase:
In this phase, those vital and economical available measures are selected, which will best indicate the progress towards its objectives. Thus the criteria are selected, which the management would like to use to follow the progress or performance towards predicted objectives.

IV Phase: Observation Phase:
In this phase, current status of performance is periodically observed and measured. The system should be reliable, automatic and adequate. Adequate means of observations should neither be too less nor too more, and only necessary information at desired frequency is obtained.

V Phase: Comparison Phase:
In this phase, comparison is made between the actual and expected performance and progress in order to identify the exception, analyse causes and report the need for action to the appropriate authority about the exceptions that required priority of attention.

VI Phase: Action Phase:

This is the phase, where decisions are taken and implemented with a view to bring the performance to the desired level or adjust in anticipations to reflect changing conditions or take full advantage of better performance or opportunity.

Thus the Management by Exception compromise as systematic approach of handling the management problems and free the manager from the demands of routine work, which enables him to devote more time for creative efforts directed towards "improving the overall efficiency of the organisation". This also provides necessary information readily available, for taking timely and qualitative decisions, which would require lot of time.

Meaning of Organising:

Organising is a "process of defining the essential relationships among people, tasks and activities in such a way that all the organisation's resources are integrated and coordinated to accomplish its objectives efficiently and effectively". — Pearce and Robinson

Process of Organising:

The process of organising involves the following steps:

(i) Determination of Objectives:

Every organisation is established for some objective or goal. Various tasks are determined to achieve this goal. For example, if the organisation is established to export goods, it determines the nature and type of goods to be exported, sources from where raw material will be obtained, countries where goods will be exported, co-ordinate with foreign buyers etc. Determining the workload of the organisation is the first step in the process of organising.

(ii) Division of Activities:

Since one person cannot manage all the activities, total task is broken into smaller units and assigned to members. Work is assigned according to qualification and ability of every person.

Division of work leads to specialisation which has the following benefits:

(a) Greater output:

Adam Smith illustrated a study where one person could manufacture 20 pins a day if he worked alone. Production of pin was broken into sub-activities where each person carried out the following specialised tasks: Drawing out the wire – straightening the wire – cutting the wire – grinding the point – polishing it – putting the pin head and so on. It was observed that as against 20 pins produced by one person in a day, division of work and its specialisation enabled 10 people to produce 48, 000 pins in a day — watch the wonders of specialisation!

(b) Efficiency:

Performing the same task over and over again increases skill and efficiency of the workers.

(c) Facilitates training of less-skilled workers:

Since the complex task is broken into smaller units, less-skilled workers can be trained to carry out those activities.

(iii) Grouping of Activities:

After the work is assigned to people, those performing similar activities are grouped in one department. Various departments like sales, finance, accounting etc. are filled with people having different skills and expertise but performing similar activities. Grouping of activities into departments is called departmentalisation and every department is governed by a set of rules, procedures and standards.

(iv) Define Authority and Responsibility:

Every department is headed by a person responsible for its effective functioning. Departmental heads are appointed to carry out the activities of their respective departments. It is ensured that competence of departmental head matches job requirements of the department.

Every head has authority to get the work done from his departmental members. He delegates responsibility and authority to members of his department. This creates a structure of relationships where every individual knows his superiors and subordinates and their reporting relationships.

(v) Co-Ordination of Activities:

When departments work for their objectives, there may develop inter-departmental conflicts which can obstruct the achievement of organisational goals. For example, finance department wants to cut the costs but the marketing department needs additional funds to market its products; this conflict can be resolved through co-ordination so that all departments share the common resources optimally. Work can be coordinated by defining relationships amongst various departments and people working at different positions.

(vi) Reviewing and Re-organising:

There is constant appraisal of the organising process so that changes in the structure can be made consequent to changes in the environmental factors. Constant appraisal and re-organisation is an integral part of the organising process.

Importance of Organising:

Organising is important for the following reasons:

(i) Facilitates Administration:

Top managers cannot perform all the organisational tasks as they will be overburdened to concentrate on strategic matters. It is essential that part of the workload is shared by middle and lower level managers. Top executives will be relieved of managing routine affairs and concentrate on effective administration.

The basic elements of organising (division of work, grouping of activities, distribution of authority and coordination) facilitate better administration by the top management.

(ii) Growth and Diversification:

A well-organised institution is adaptive to change and responsive to growth and diversification. It can multiply its operations.

(iii) Creates Synergies:

Division of work provides the benefits of synergies, that is, total task achieved by a group of people is more than the sum total of their individual achievements. People coordinate their tasks in the same and different departments. This gives the benefit of 'one plus one makes eleven.'

(iv) Establishes Accountability:

When every person knows his superiors and subordinates, the organisation can function efficiently. Establishing limitations in the area of operations defines people's accountability to their immediate boss which gears the organisation towards its broader goals.

(v) Optimum Use of Technology:

It is the age of technological developments. Organisations not having well-developed technology will not be able to compete in the market. Well-organised structures enable the organisations to optimally use and update their technology and remain competitive in the dynamic market conditions.

(vi) Facilitates Communication:

Communication is the essence of organisation. Efficiency of organisation depends upon how well organisational members communicate with each other. A well-designed system of communication (vertical and horizontal) is facilitated through effective organising efforts of top executives.

(vii) Facilitates Creativity:

Creativity means creating something new. It develops new ways of doing the things. A sound organisation enables the top management to improve the ways of doing things by delegating routine affairs to people down the scalar chain. It creates a sense of achievement amongst managers that provides moral boost for further creative thinking.

(viii) Improves Inter-personal Relationships:

A sound organisation structure ensures that workload is divided into well-defined jobs and assigned to people according to their abilities and skills. Placing the right person at the right job ensures job satisfaction and morale boost of employees. This improves inter-personal relationships amongst people working in the organisation.

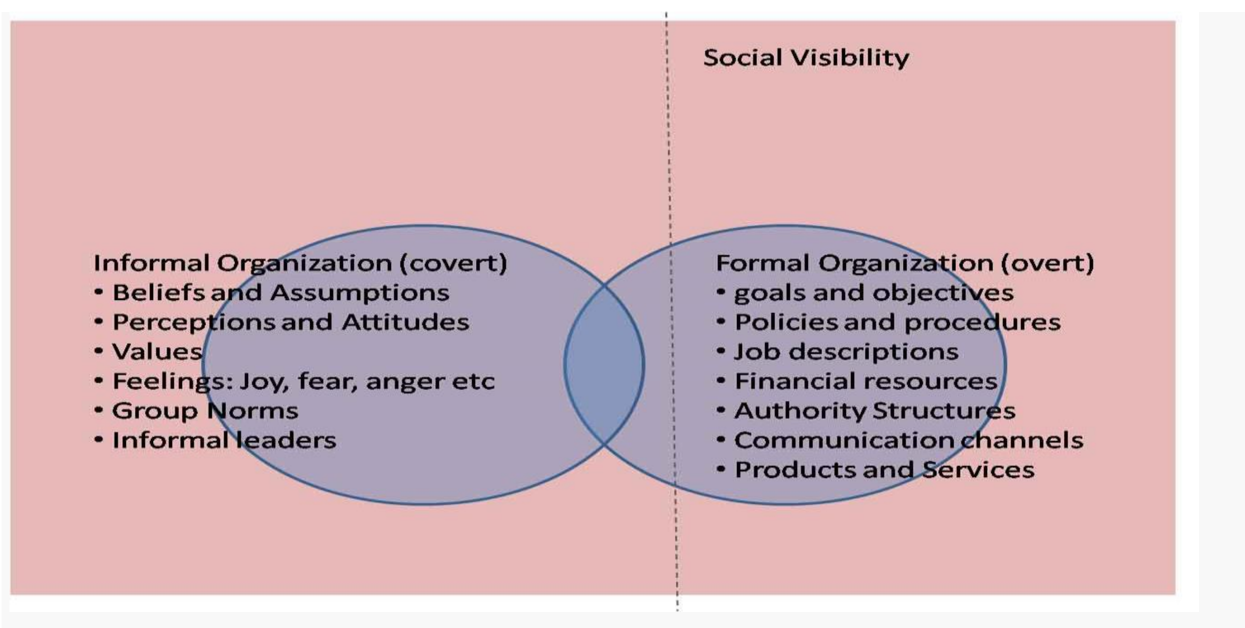
(ix) Facilitates Coordination:

Well-defined objectives and plans can fail if organisational activities are not coordinated in a unified direction. A well designed organisation structure promotes order and system in its activities. It coordinates work of people at different levels in different departments.

Formal and Informal Organization:

Formal Organisation:

When the managers are carrying on organising process then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.



Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior- subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:

(1) The formal organisational structure is created intentionally by the process of organising.

(2) The purpose of formal organisation structure is achievement of organisational goal.

(3) In formal organisational structure each individual is assigned a specific job.

(4) In formal organisation every individual is assigned a fixed authority or decision-making power.

(5) Formal organisational structure results in creation of superior-subordinate relations.

(6) Formal organisational structure creates a scalar chain of communication in the organisation.

Advantages of Formal Organisation:

1. Systematic Working:

Formal organisation structure results in systematic and smooth functioning of an organisation.

2. Achievement of Organisational Objectives:

Formal organisational structure is established to achieve organisational objectives.

3. No Overlapping of Work:

In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.

4. Co-ordination:

Formal organisational structure results in coordinating the activities of various departments.

5. Creation of Chain of Command:

Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.

6. More Emphasis on Work:

Formal organisational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organisation:

1. Delay in Action:

While following scalar chain and chain of command actions get delayed in formal structure.

2. Ignores Social Needs of Employees:

Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.

3. Emphasis on Work Only:

Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

Informal Organisation:

In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of informal organisation:

(1) Informal organisational structure gets created automatically without any intended efforts of managers.

(2) Informal organisational structure is formed by the employees to get psychological satisfaction.

(3) Informal organisational structure does not follow any fixed path of flow of authority or communication.

(4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.

(5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

1. Fast Communication:

Informal structure does not follow scalar chain so there can be faster spread of communication.

2. Fulfills Social Needs:

Informal communication gives due importance to psychological and social need of employees which motivate the employees.

3. Correct Feedback:

Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Strategic Use of Informal Organisation. Informal organisation can be used to get benefits in the formal organisation in the following way:

1. The knowledge of informal group can be used to gather support of employees and improve their performance.
2. Through grapevine important information can be transmitted quickly.
3. By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

Disadvantages of Informal organisation:

1. Spread Rumours:

According to a survey 70% of information spread through informal organisational structure are rumors which may mislead the employees.

2. No Systematic Working:

Informal structure does not form a structure for smooth working of an organisation.

3. May Bring Negative Results:

If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

4. More Emphasis to Individual Interest:

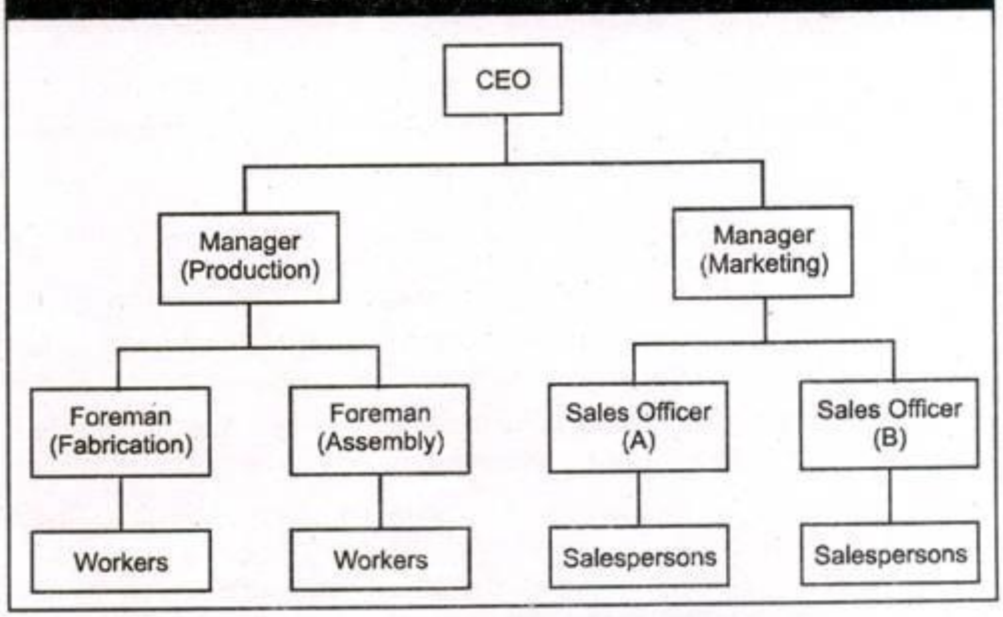
Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Types of Organisational Structures:

1. Line Organisational Structure:

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

Exhibit 10.3 : Line Organisational Structure



Features:

Has only direct vertical relationships between different levels in the firm.

Advantages:

1. Tends to simplify and clarify authority, responsibility and accountability relationships

2. Promotes fast decision making

3. Simple to understand.

Disadvantages:

1. Neglects specialists in planning

2. Overloads key persons.

Some of the advantages of a pure line organisation are:

(i) A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.

(ii) A line structure promotes fast decision making and flexibility.

(iii) Because line organisations are usually small, managements and employees have greater closeness.

However, there are some disadvantages also. They are:

(i) As the firm grows larger, line organisation becomes more ineffective.

(ii) Improved speed and flexibility may not offset the lack of specialized knowledge.

(iii) Managers may have to become experts in too many fields.

(iv) There is a tendency to become overly dependent on the few key people who an perform numerous jobs.

2. Staff or Functional Authority Organisational Structure

The jobs or positions in an organisation can be categorized as:

(i) Line position:

a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

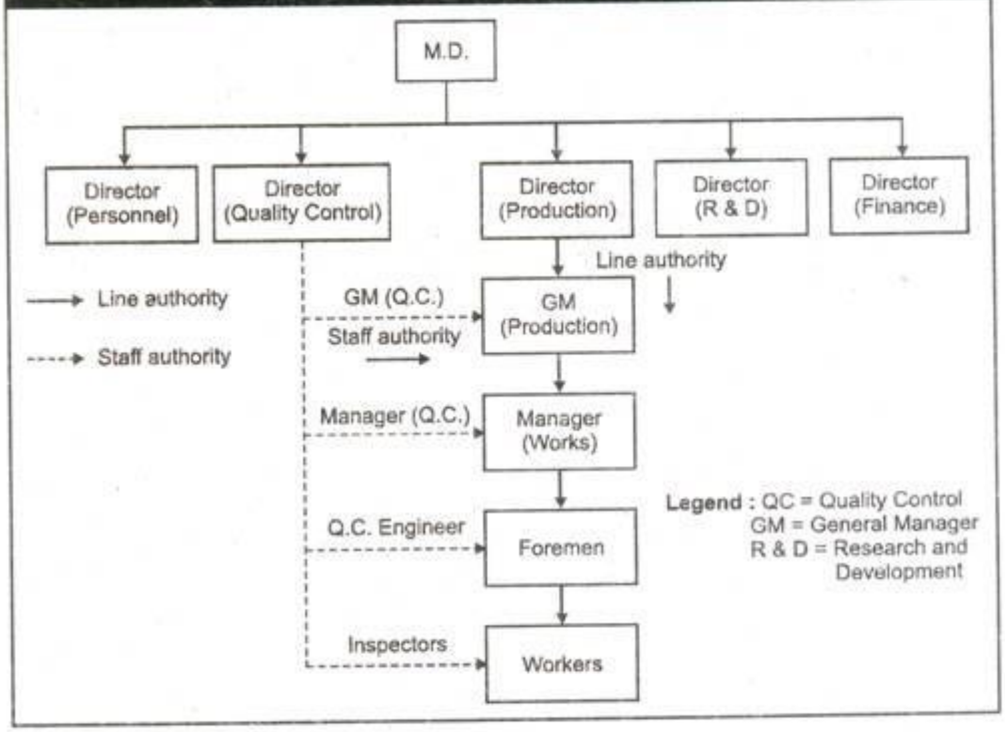
(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.

Exhibit 10.4 : Staff or Functional Authority Organisational Structure



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organization, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).

The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

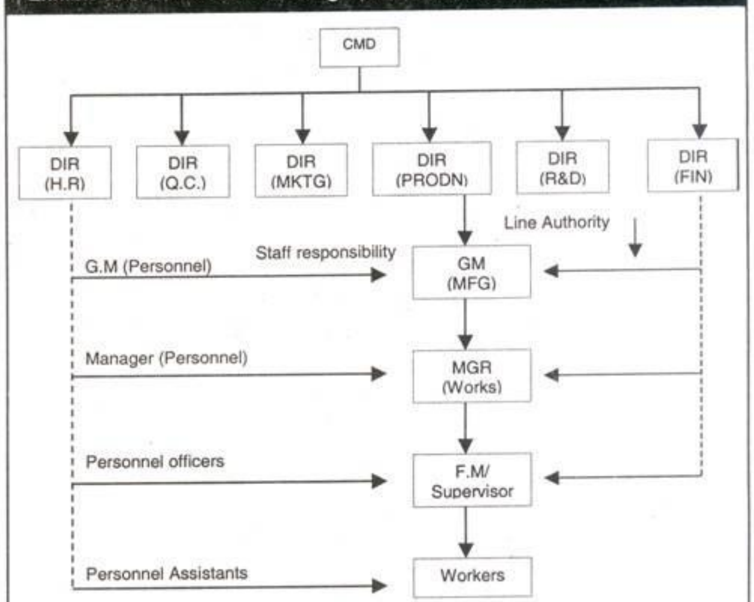
While this type of organisational structure overcomes the disadvantages of a pure line organisaional structure, it has some major disadvantages:

They are: (i) the potential conflicts resulting from violation of principle of unity of command and (ii) the tendency to keep authority centralized at higher levels in the organisation.

3. Line and Staff Organisational Structure:

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

Exhibit 10.5 : Line and Staff Organisational Structure



Legend:
HR – Human Resources
MKTG – Marketing
R & D – Research and Development
MFG – Manufacturing
MGR – Manager
DIR – Director
QC – Quality Control
PRODN – Production
FIN – Finance
GM – General Manager
FM - Foreman

Exhibit 10.5 illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

(i) Advising,

(ii) Service and

(iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

Some **advantages** are:

(i) Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.

(ii) Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise.

(iii) Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.

(iv) Staff people may resent their lack of authority and this may cause line and staff conflict.

Features:

1. Line and staff have direct vertical relationship between different levels.

2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.

3. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.,

(a) Advisory:

Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

(b) Service:

Maintenance, Purchase, Stores, Finance, Marketing.

(c) Control:

Quality control, Cost control, Auditing etc. Advantages'

(i) Use of expertise of staff specialists.

(ii) Span of control can be increased

(iii) Relieves line authorities of routine and specialized decisions.

(iv) No need for all round executives.

Disadvantages:

(i) Conflict between line and staff may still arise.

(ii) Staff officers may resent their lack of authority.

(iii) Co-ordination between line and staff may become difficult.

Committee Organisational Structure Features:

(a) Formed for managing certain problems/situations

(b) Are temporary decisions.

Advantages:

1. Committee decisions are better than individual decisions

2. Better interaction between committee members leads to better co-ordination of activities

3. Committee members can be motivated to participate in group decision making.

4. Group discussion may lead to creative thinking.

Disadvantages:

1. Committees may delay decisions, consume more time and hence more expensive.

2. Group action may lead to compromise and indecision.

3. 'Buck passing' may result.

4. Divisional Organisational Structure:

In this type of structure, the organisation can have different basis on which departments are formed. They are:

(i) Function,

(ii) Product,

(iii) Geographic territory,

(iv) Project and

(iv) Combination approach.

Exhibit 10.6 illustrates organisational structures formed based on the above basis of departmentation.

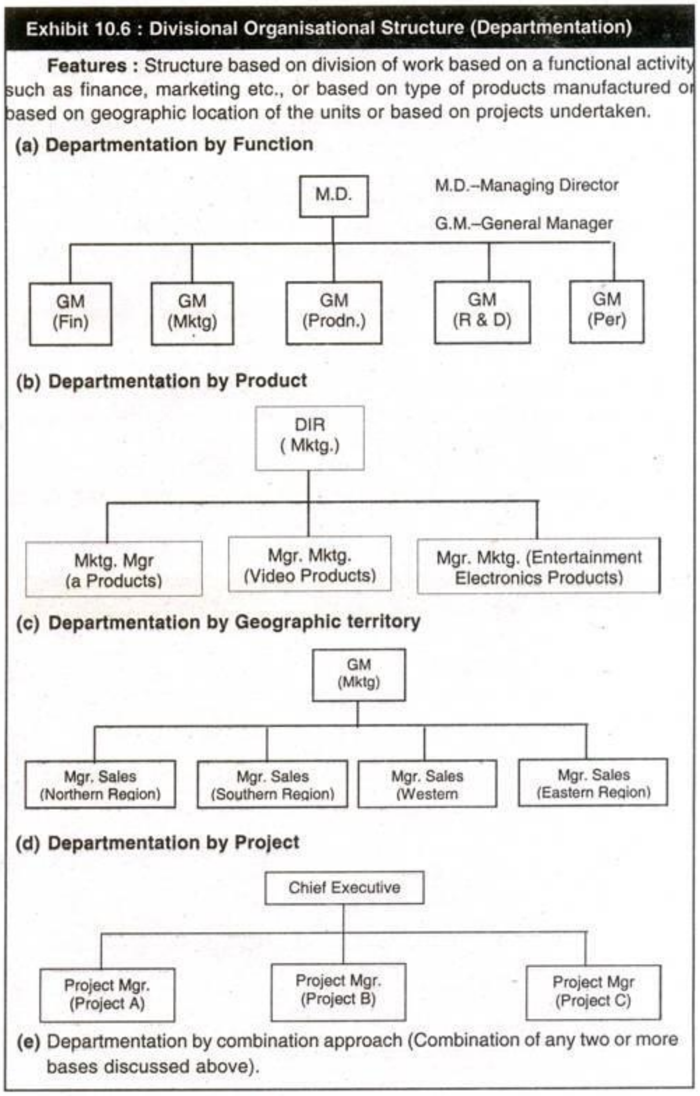


Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

Features : Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

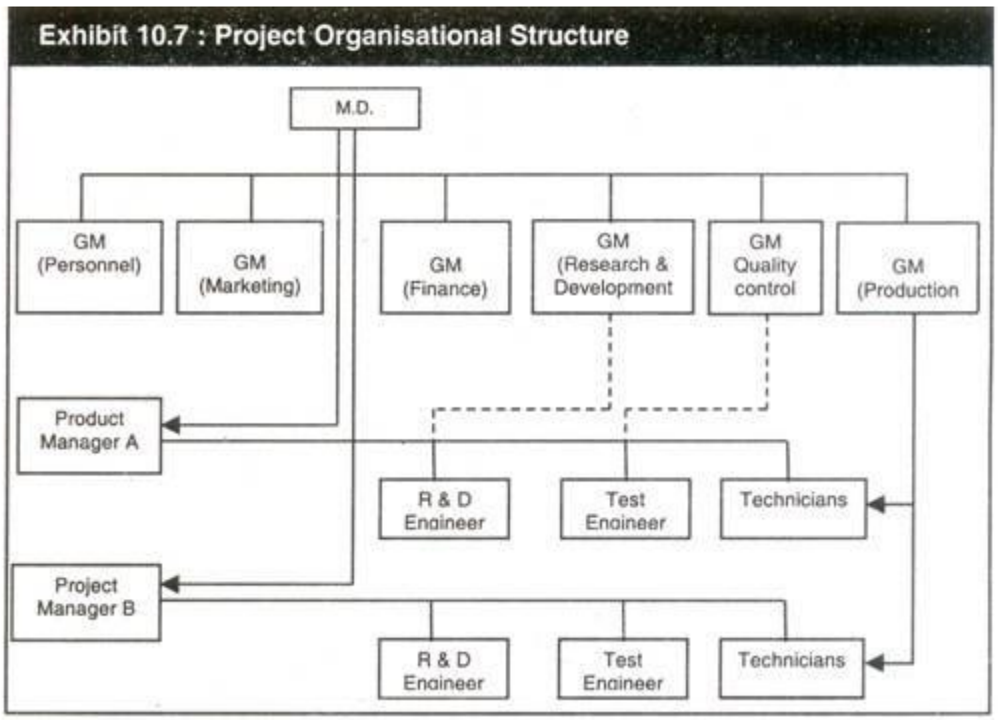
(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

5. Project Organisational Structure:

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.

A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

Exhibit 10.7 illustrates a project organisational structure.



Feature:

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Importance of Project Organisational Structure:

Project organisational structure is most valuable when:

(i) Work is defined by a specific goal and target date for completion.

(ii) Work is unique and unfamiliar to the organisation.

(iii) Work is complex having independent activities and specialized skills are necessary for accomplishment.

(iv) Work is critical in terms of possible gains or losses.

(v) Work is not repetitive in nature.

Characteristics of project organisation:

1. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager.

2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.

3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.

4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.

5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.

6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.

7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.

8. Full and free communication is essential among those working on the project.

6. Matrix Organisational Structure:

It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

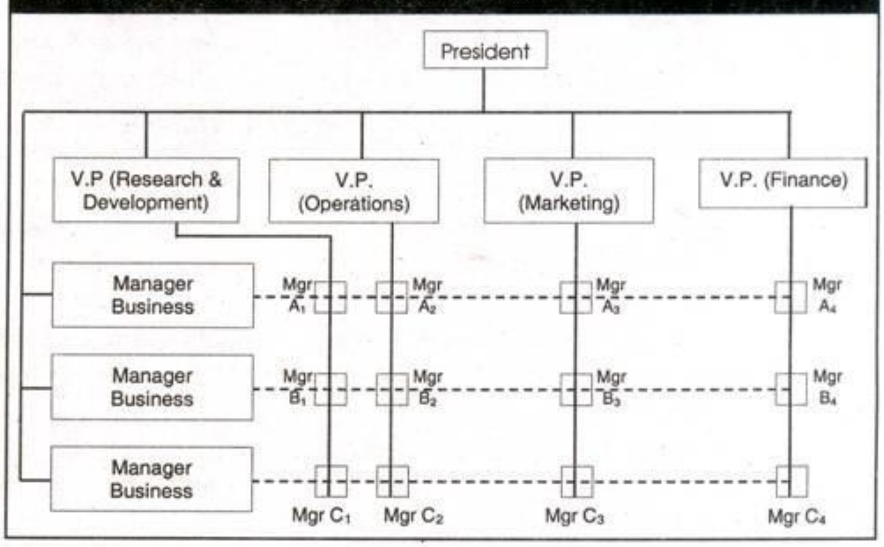
Feature:

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages:

1. Decentralised decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.

Exhibit 10.8 : Matrix Organisational Structure



Disadvantages:

1. High administration cost.
2. Potential confusion over authority and responsibility.

3. High prospects of conflict.

4. Overemphasis on group decision making.

5. Excessive focus on internal relations.

This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

7. Hybrid Organisational Structure:

Exhibit 10.9 (a) illustrates the hybrid organisational structure.

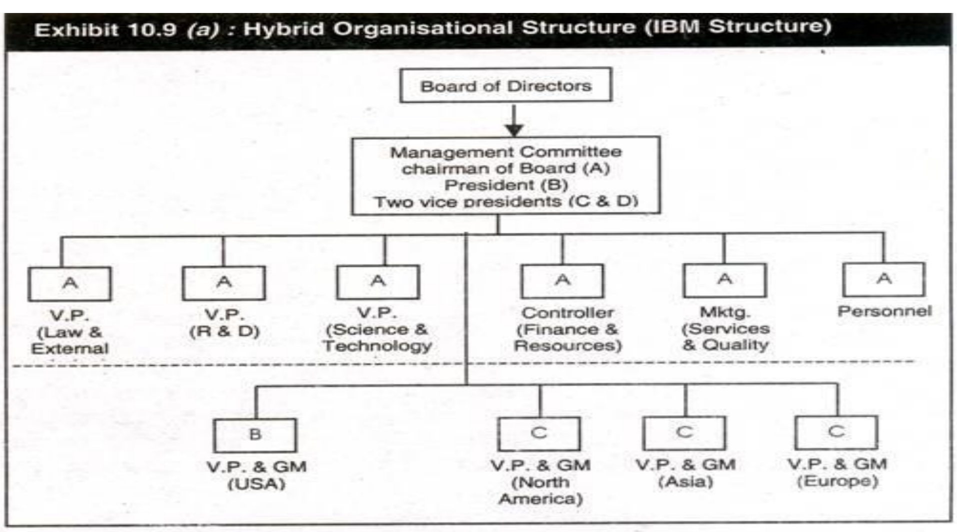
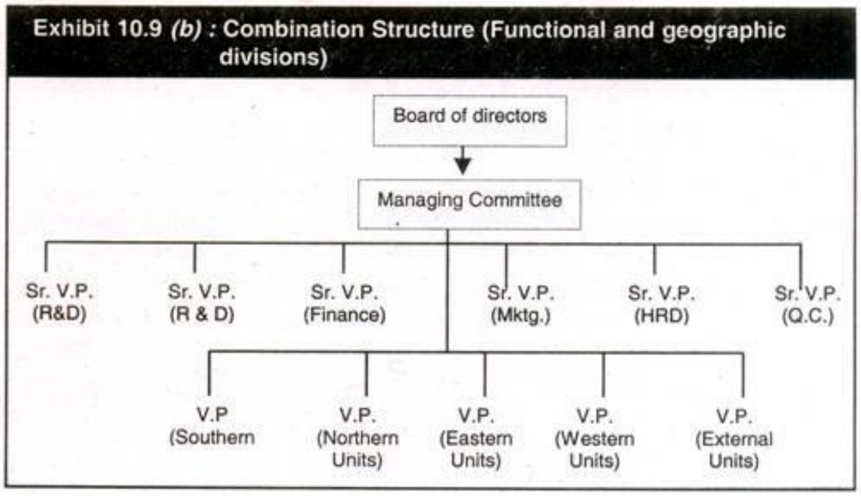


Exhibit 10.9 (b) illustrates a combination structure



Advantages:

1. Alignment of corporate and divisional goals.

2. Functional expertise and efficiency.

3. Adaptability and flexibility in divisions.

Disadvantages:

1. Conflicts between corporate departments and units.

2. Excessive administration overhead.

3. Slow response to exceptional situations.

Uses:

Used in organisations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency

This type of structure is used by multinational companies operating in the global environment, for example, International Business Machines USA. This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

Organisation Process:

1.Review plans and objectives.

Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

2.Determine the work activities necessary to accomplish objectives.

Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyze all the tasks that need to be accomplished in order to reach organizational goals.

3.Classify and group the necessary work activities into manageable units.

A manager can group activities based on four models of departmentalization: functional, geographical, product, and customer.

4.Assign activities and delegate authority.

Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

5.Design a hierarchy of relationships.

A manager should determine the vertical (decision-making) and horizontal (coordinating) relationships of the organization as a whole. Next, using the organizational chart, a manager should diagram the relationships.

Span of Control:

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

Factors Determining Span of Control:

(1) Capacity of the higher executive to manage his work.

(2) Capacities of subordinate executives. Apart from these two basic factors, there are many other factors which can determine the actual optimum span of control.

Delegation

Delegation is a process which enables a person to assign a work to others and delegate them with adequate authority to do it. Delegation is the dynamics of management.

Features of delegation:

i. Two Sided Relationship:

Delegation is a two sided relationship. The superior must be willing to sacrifice a portion of his authority and the subordinate must be prepared to shoulder additional responsibilities.

ii. Act of Trust:

Delegation is an act of trust, an expression of confidence that the subordinate (delegatee) will discharge assigned duties in a sincere way.

iii. Freedom to Think and Act:

Delegation means freedom of action sufficient to get the task accomplished. It means freedom to make decisions, commit mistakes, learn and rise to the challenge putting one’s own competencies to best use.

iv. Dependency Relationship:

The delegator has to extend continual support and continued blessings to the delegatee. The delegatee should seek clear communication of what is expected of him, when the job needs to be completed etc. In case of any trouble, the delegator must lend support to the delegatee.

v. A Challenging Task:

Delegation is a challenging task. Both parties must set goals to mutual satisfaction. Questions like when, where and how need to be addressed properly. Both must invest their time, put resources to best use and deliver results through constant interaction, questioning and exchanging of notes. Delegation requires trust and confidence in each other's traits and abilities. It is a skill that separates the men from the boys in management.

vi. Forward Thinking Principle:

Delegation opens a new in superior subordinate relationship. Both the superior and subordinate are expected to enact their roles in a positive and mutually supportive way. The superior should trust the subordinate and give enough room to operate. Likewise, the subordinate should accept the challenges and deliver results. Both must keep their sights on institutional interests and play their roles to the best of their abilities and potential.

Nature of delegation includes:

i. It gives direction to a manager in performing his duties

ii. It has dual characteristics in the sense that though the authority is delegated, it is still retained with the superior

iii. It can be modified even after the action is over

iv. Manager cannot delegate authority which he does not possess

v. It may be specific or general and

vi. It is an art rather than a science.

Principles of the delegation

Principle 1: Principle of Functional Definitions:

According to Koontz and O'Donnell, "more a position, or a department has clear definitions of results expected, activities to be under taken, organisation authority delegated, and authority and informational relationship with other positions understood, the more adequately the individuals responsible can contribute towards accomplishing organisation objectives." The subordinate must fully understand the nature and significance of his job, its relationship with other jobs and the limits of his authority.

Principle2: Principle of Delegation by Results Expected:

The nature and extent of delegation should be consistent with the results expected by subordinates. There-fore it is responsibility of superior to make the results and objects clear to his subordinates and the subordinates will do only the needful activities which may contribute to the attainment of prerecorded objectives. It will make the delegation more successful and effective.

For example, if the sales manager lays down the target of achieving sales turnover of 5 Lakh, rupees for U.P. office, he should delegate adequate authority to the Branch Manager of U.P. office.

Principle 3: Principle of Authority and Responsibility:
Authority and responsibility should bear logical relation to each other. Therefore a proper balance must be maintained between authority and responsibility during delegating the duties. There should be not disparity between the authority granted to a subordinate and the responsibility imposed on him.
For instance if a manager tries to hold subordinates accountable for duties for which they do not have the requisite authority, it will be unfair. It is also not proper if the subordinates are given sufficient authority, but are not held accountable for its proper use.
Principle 4: Principle of Absoluteness of Responsibility:
According to this principle only the authority can be delegated and not the responsibility. If executive can delegates his authorities to his subordinates, his responsibility and accountability do not change. Only executive is responsible and not his subordinates. For example, if branch decides to active sales turnover two lakh rupees, only branch manager is answerable to the sales manager.
Principle 5: Principle of Unity of Command:
Every subordinate should be under the command by one superiors. He must get the orders only from one officer. If a person reports to two superiors for the same duty, confusion and friction will result. Therefore as for as possible, dual subordination should be avoided. Thus the process of delegation can be effective and successful only if the above principle is followed.
Principle 6: Principle of Scalar:
The chain of command from the top to bottom of the organisational hierarchy should be such that every subordinates knows who has delegated authority to him and to whom matters beyond his authority must be referred too,. The limits of authority within which subordinates can exercise initiative should be clarified.
Principle 7: Principle of Authority Level:
The subordinates should refer only those decisions to the superior which cannot be made at their level. They should themselves handle matters falling within the scope of their authority, if they try to bring every matters for decision to the superior, the purpose of delegation will be defeated. The superior should not unnecessary interfere in the decisions and actions of the subordinates.
Delegation Process:
(1) The Delegation Should Define the Result Expected from his Subordinates:
The first requirement in he determination of contribution is the stage of creating various positions in the organisation.
(2) Duties Should be Assigned According to the Qualifications, Experience and Aptitude of the Subordinates:

Duties must be defined very clearly.

They may be described in two ways:

(a) In terms of activities to be performed by a sub-ordinate.

(b) In terms of results that are expected from the performance of activities.

For Example – How much sale is to be achieved by salesman? It is better to assign duties in terms of results expected, because the sub-ordinate knows in advance the terms in which his performance will be judged, while assessing duties and responsibilities.

The delegator must ensure that subordinates understand and accept the assignment; otherwise delegation would be meaningless or ineffective.

(3) Adequate Authority must be given to Subordinates:

The authority to be delegated to each particular sub-ordinate be determined in advance. The delegator confers upon the sub-ordinate the right to act in a specified way within limited boundaries. It decides what actions he may take and what action he cannot take. Proper authority to any sub-ordinate not given in time, will not give or produce expected results.

For Example – A sales manager, charged with the responsibility of increasing sales of company's product should be given authority to hire competent salesmen, pay wages and incentives, allow concessions, within specified limits.

(4) The Sub-Ordinate Must Produce Expected Results from the Task Assigned to him:

It is obligatory on the part of the sub-ordinate that he must give satisfactory performance from the tasks assigned. He becomes answerable for the proper performance of the assigned duties and for the exercise of the delegated authority. Authority without accountability is likely to be misused.

Accountability without authority may be frustrating to the subordinates. The extent of accountability depends upon the extent of delegated authority and responsibility. A sub-ordinate cannot be held responsible for acts not assigned to him by his superior. He is accountable only to his immediate superior.

(5) Proper Evaluation of the Performance must be Made:

In the end, an information and control system must be established to check and evaluate the performance of the subordinates to whom authority has been delegated. Duties, authority and responsibility are the three interdependent essential steps in the process of delegation. In this connection an eminent authority. H. W. Newman has said—"These three inevitable attributes of delegation are like a three legged stool, each depends on the others to support the whole and no two can stand alone."

Types of Delegation

(a) Formal and informal delegation:

In a formal delegation, the delegated assignments and the accompanying authority for each delegate are spelt out, on a piece of paper. In the informal type, the delegation goes by a climate of understanding between the superior and the subordinate.

(b) General and specific delegation:

When authority is given to perform general managerial functions like planning, organizing, directing etc., the subordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The chief executive exercises overall control and guides the subordinates from time to time.

The specific delegation may relate to a particular function or an assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their departmental duties.

Decentralisation:

Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.

Importance of Decentralisation:

1. **Rapid decision making –** Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.
2. **Administrative development –** The decentralisation process questions the manager's judgement and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and make them a good decision-maker resulting in the development of the organisation.
3. **Development of executive skills –** It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.

4. **Promotes growth –** Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.
5. **Higher control –** It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

Advantages of Decentralisation:

1. Reduces the burden on top executives:

Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.

2. Facilitates diversification:

Under decentralization, the diversification of products, activites and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

3. To provide product and market emphasis:

A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.

4. Executive Development:

When the authority is decentralised, executives in the organisation will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

5. It promotes motivation:

To quote Louis A. Allen, “Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups.” This improves the morale of employees as they get involved in decision-making process.

6. Better control and supervision:

Decentralisation ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.

7. Quick Decision-Making:

Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

Disadvantages of Decentralisation:

Decentralisation can be extremely beneficial. But it can be dangerous unless it is carefully constructed and constantly monitored for the good of the company as a whole.

Some disadvantages of decentralisation are:

1. Uniform policies not Followed:

Under decentralisation, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. Problem of Co-Ordination:

Decentralisation of authority creates problems of co-ordination as authority lies dispersed widely throughout the organisation.

3. More Financial Burden:

Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. Require Qualified Personnel:

Decentralisation becomes useless when there are no qualified and competent personnel.

5. Conflict:

Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

Decision making :

Decision making may be reviewed as the process of selecting a course of action from a mong several alternatives in order to accomplish a desired result. The purpose of decision mak ing is to direct human behaviour and commitment towards a future goal. If there are no altern atives, if no choice is to be made, if there is no other way-out, then there would be not need f or decision making. It involves committing the organisation and its resources to a particular ch oice of course of action thought to be sufficient and capable of achieving some predetermined objective.

Managers at all level in the organisation make decision and solve problems. In fact, decision-m aking is the process of reducing the gap between the existing situation and the desired situatio n through solving problems and making use of opportunities. A decision is a course of actio n consciously selected from available alternatives, with a view to achieving a desired go al. It is an outcome of the judgement and represents a choice and commitment to the same . It is a final resolution of a conflict of needs, means or goals made are the face of uncertaint y, complexity and multiplicity. A decision is conclusion reached after consideration it o ccurs when one option is selected to the exclusion of others –
it is rendering of judgement. Different management scholars have defined Decision making as follows: **George Terry**
Decision making is the selection based on some criteria from two or more alternatives.

Heinz Weihrick and Harold Koontz
Decision making is defined as the selection of a course of action among alternatives, it is the car e of planning. Louis Allen
Decision making is the work a manager performs to arrive at conclusion and judgement.

Nature Or Characteristics of Decision Making:
Decision making is globally thought to be selection from alternatives. It is deeply related with all the traditional functions of a manager, such as planning, organizing, staffing, directing and con trolling. When he performs these functions, he makes decisions. However, the traditional man agement threorists did not pay much attention to decision making. Infact, the meaningful analy sis of decision making process was initiated by Chester Bernard (1938) who commented, The pr ocess of decision are largely techniques for narrowing choice.

The nature of decision-making may be clearly understood by its following characteristics featur es:

1. Decision making is an intellectual process, which involves imagination, reasoning, evaluation and judgement.

2. It is a selection process in which best or most suitable course of action is finalized from amon g several available alternatives. Such selected alternative provides utmost help in the achievem ent of organizational goals. The problems for which there is only one selection are most decisio n problems.

3.Decision making is a goal oriented process. Decisions are made to attain certain goals. A decisi on is rated good to be extent it helps in the accomplishment of objectives.

4. It is a focal point at which plans, policies, objectives, procedures, etc., are translated into co ncrete actions.

5.Decision making is a continuous process persuading all organizational activity, at all levels an d in the whole universe. It is a systematic process and an interactive activity.

6.Decision making involves commitment of resources, direction or reputation of the enterprise.

7. Decision making is always related to place, situation and time. It may be decision not act in th e given circumstances.

8.After decision making it is necessary and significant to communicate its results (decisions) for their successful execution.

9. The effectiveness of decision-making process is enhanced by participation.

Elements of Decision Making :There are following elements in decision making:

• The decision maker.

• The decision problem or goal.

• Attitudes, values and personal goals of the decision maker.

• Assumption with regard to future events and things.

• The environment in which decision is to be made.

• Available known alternatives and their estimated or imagined outcomes.

• Analytical results in the whole perspective.

• The constraints.

• The act of selection or choice.

• Timing of decision.

• Proper communication of decision for its effective execution.

Importance of decision-making

1.Implementation of managerial function:

Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, s/he does the work through decision-making function. Therefore, we can say that decision is important element to implement the managerial function.

2. Pervasiveness of decision-making:

The decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.

3. Evaluation of managerial performance:

Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision-making evaluate the managerial performance.

4. Helpful in planning and policies:

Any policy or plan is established through decision making. Without decision making, no plans a nd policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.

5.Selecting the best alternatives:

Decision making is the process of selecting the best alternatives. It is necessary in every organiz ation because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.

6. Successful operation of business:

Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business.

Decision-making process:

Step 1: Identify the decision

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

Step 2: Gather relevant information

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external "work." Some information is internal: you'll seek it through a process of self-assessment. Other information is external: you'll find it online, in books, from other people, and from other sources.

Step 3: Identify the alternatives

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

Step 4: Weigh the evidence

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you'll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

Step 5: Choose among alternatives

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

Step 6: Take action

You're now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

Step 7: Review your decision & its consequences

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has not met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

Differences between Individual and Group Decisions

Individual Decisions:

1. Decisions are taken by a single individual.

2. Individual decisions are less costly.
3. They are based on limited information gathered by managers.
4. Individual decisions are taken in situations of crisis or emergency.
5. They do not involve moral commitment on the part of members to accept and implement them.
6. Individual decisions do not affect morale or job satisfaction of employees.
7. They introduce one-man control.
8. Individual decisions do not promote interaction amongst superiors and subordinates.
9. Decisions are usually based on clear policy guidelines.
10. Though decisions are based on individual thinking, they are high-quality if the individual has expertise and experience in making such decisions.
11. Individual decisions are usually taken in competitive business situations where people are not open to suggestions.

Group Decisions:

1. Decisions are taken by a group of persons.
2. Group decisions are costly in terms of time and money.
3. They are based on extensive information collected by members of the group.
4. Group decisions are taken when there is sufficient time to make decisions.
5. Group decisions are easier to implement as group members feel committed to them.
6. Group decisions positively affect morale and job satisfaction of employees.
7. They introduce self-control.
8. They promote superior-subordinate interaction and healthy relationships amongst them.
9. Group decisions are taken when the problem requires creativity and expert knowledge of a group.
10. It usually results in high-quality decisions as they are based on extensive brainstorming. They provide the benefit of synergy.
11. Group decisions are usually taken in supportive business situations where group members encourage problem-solving together.

Trends in Organizational Structure

Reengineering Organizational Structure

Periodically, all businesses must reevaluate the way they do business. This includes assessing the effectiveness of the organizational structure. To meet the formidable challenges of the future, companies are increasingly turning to **reengineering**—the complete redesign of business structures and processes in order to improve operations. An even simpler definition of reengineering is “starting over.” The purpose of reengineering is to identify and abandon the outdated rules and fundamental assumptions that guide current business operations. Every company has many formal and informal rules, based on assumptions about technology, people, and organizational goals that no longer hold. Thus, the goal of reengineering is to redesign business processes to achieve improvements in cost control, product quality, customer service, and speed. The reengineering process should result in a more efficient and effective organizational structure that is better suited to the current (and future) competitive climate of the industry.

The Virtual Corporation

One of the biggest challenges for companies today is adapting to the technological changes that are affecting all industries. Organizations are struggling to find new organizational structures that will help them transform information technology into a competitive advantage. One alternative that is becoming increasingly prevalent is the virtual corporation, which is a network of independent companies (suppliers, customers, even competitors) linked by information technology to share skills, costs, and access to one another’s markets. This network structure allows companies to come together quickly to exploit rapidly changing opportunities. The key attributes of a virtual corporation are:

- Technology. Information technology helps geographically distant companies form alliances and work together.
- Opportunism. Alliances are less permanent, less formal, and more opportunistic than in traditional partnerships.
- Excellence. Each partner brings its core competencies to the alliance, so it is possible to create an organization with higher quality in every functional area and increase competitive advantage.
- Trust. The network structure makes companies more reliant on each other and forces them to strengthen relationships with partners.
- No borders. This structure expands the traditional boundaries of an organization.

Virtual Teams

Technology is also enabling corporations to create virtual work teams. Geography is no longer a limitation when employees are considered for a work team. Virtual teams mean reduced travel time and costs, reduced relocation expenses, and utilization of specialized talent regardless of an employee’s location.

When managers need to staff a project, all they need to do is make a list of required skills and a general list of employees who possess those skills. When the pool of employees is known, the manager simply chooses the best mix of people and creates the virtual team. Special challenges of virtual teams include keeping team members focused, motivated, and communicating positively despite their locations. If feasible, at least one face-to-face meeting during the early stages of team formation will help with these potential problems.

Outsourcing

Another organizational trend that continues to influence today’s managers is outsourcing. For decades, companies have outsourced various functions. For example, payroll functions such as recording hours, managing benefits and wage rates, and issuing paychecks have been handled for years by third-party providers. Today, however, outsourcing includes a much wider array of business functions: customer service, production, engineering, information technology, sales and marketing, and more.

Despite the challenges, outsourcing programs can be effective. To be successful in outsourcing efforts, managers must do the following:

- Identify a specific business problem.
- Consider all possible solutions.
- Decide whether outsourcing the work is the appropriate answer to the problem.
- Develop a strategic outsourcing partnership with vendors and a solid framework that promotes seamless collaboration and communication.
- Engage with outsourcing partners on a regular basis to instill trust between the two entities.
- Remain flexible when it comes to working with outsourcing providers in terms of accommodating requests or adjusting needs when necessary in an effort to build a long-term strategic partnership beneficial to both parties.[19]

Structuring for Global Mergers

Recent mergers creating mega-firms (such as Microsoft and LinkedIn, Amazon and Whole Foods, and Verizon and Yahoo) raise some important questions regarding corporate structure. How can managers hope to organize the global pieces of these huge, complex new firms into a cohesive, successful whole? Should decision-making be centralized or decentralized? Should the firm be organized around geographic markets or product lines? And how can managers consolidate distinctly different corporate cultures? These issues and many more must be resolved if mergers of global companies are to succeed.

Beyond designing a new organizational structure, one of the most difficult challenges when merging two large companies is uniting the cultures and creating a single business. The merger between Pfizer and Pharmacia, makers of Dramamine and Rogaine, is no exception. Failure to effectively merge cultures can have serious effects on organizational efficiency.

As part of its strategic plan for the giant merger, Pfizer put together 14 groups that would make recommendations concerning finances, human resources, operation support, capital improvements, warehousing, logistics, quality control, and information technology. An outside consultant was hired to facilitate the process. One of the first tasks for the groups was to deal with the conqueror (Pfizer) versus conquered (Pharmacia) attitudes. Company executives wanted to make sure all employees knew that their ideas were valuable and that senior management was listening.

As more and more global mergers take place, sometimes between the most unlikely suitors, companies must ensure that the integration plan includes strategies for dealing with cultural differences, establishing a logical leadership structure, implementing a strong two-way communications channel at all levels of the organization, and redefining the “new” organization’s vision, mission, values, and culture.

Trends in Organisational Culture:

1) A SHIFT FROM ACQUISITION TO INTEGRATION

2020 will be about making these deals work. Historically, 70% of deals fail. A heightened level of attention to the role of organizational culture as a “secret weapon in making them work” will be a key theme in 2020.“Good planning, communication, and being as honest and open with people as possible goes a long way in M&A integrations

2) THE ROLE OF EMPLOYEE ACTIVISM

As people face several options related to where they work, they want a say in shaping the corporate culture from the ground up. Enter the rise of employee activism, which we define as employees coming together to make their voices heard to effect change within organizations.

3) A FOCUS ON AN AGE-NEUTRAL WORKFORCE:

The fastest growing age demographic in the workplace today is not Millennials and it’s not Gen Z. It’s the 60 year + demographic. With five generations actively in the workplace, many organizations might feel at times like “five different countries living on the same continent.” In fact, 38% of Americans have a boss that’s younger than them, and by 2025, the majority of workers will. These shifting demographics will have a profound impact on organizational cultures.We expect to hear more about this new trend in organizational and corporate culture in 2020, especially when it comes to thoughtfully curating project teams with cognitive diversity

4) UNLOCKING “SUPER-POWERS”:

With a looming labor shortage ahead of us, developing the people you have has new meaning. With so much technology at our disposal now, and a continued shift to a service-based economy, there is an ever-increasing need for soft skills. Jobs are continually being redesigned and, as such, the “learning curve” continues to be the “earning curve.”Keep your people engaged by leveraging strengths and supporting them to build and amplify them. The best workplaces help people see the magic in themselves, not develop them into cookie-cutter managers or widget-producers.

5) INTERSECTIONALITY:

Intersectionality is the way that aspects of a person's identity overlap and is an important concept in the evolving field of diversity, equity and inclusion. In fact, it's an important way for employers to frame their diversity efforts. For example, you may have an employee population who not only identifies as African American, but as African American, female and over 50. When combined, diversity becomes extremely unique and extremely personal. Designing diversity programs to support a mix of populations is becoming increasingly complex and has an impact on organizational culture.

Present Business Trends and Practice:

Environmentally-Friendly Technologies

Local, state and federal governments continue to strengthen environmental measures. Going green now may help a business get ahead of the curve, and they may enjoy tax benefits when they adopt innovative techniques and processes now, instead of later.

Besides regulatory compliance, environmentally-friendly technologies can also lead to long-term savings. Increasing energy efficiency, minimizing waste, and adopting innovative software to streamline processes are all excellent methods to help a business reduce their environmental impact and spend less.

The growing concern for the environment has also led consumers and businesses to re-examine the products and services they buy. Fortunately, going green can help build trust, extend a company's market base, make the company a more attractive option for employees and improve its standing in the community and business world.

Tailored Artificial Intelligence Platforms

Many companies already use AI or are considering it because it can improve business operations and customer service. Until recently, most companies could only afford to access AI through broad as-a-service platforms that required expensive custom engineering to meet a company's specific needs.

In 2020, companies can expect to see a larger pool of providers other than the current tech giants. They'll offer tailored services and applications for specialized or specific tasks, making AI available to SMEs too.

Adoption of 5G

No company can afford to ignore mobile technology, and 5G is likely to be very popular as it delivers more speed, reduced latency and a smoother online experience. Besides the obvious benefits to buyers, 5G can also improve teamwork and business agility. Early 5G adopters may have a distinct advantage over slower competitors.

Ericsson reports the uptake of 5G is happening more quickly than expected. They predict 5G networks will carry 35% of the global mobile traffic by 2024.

Broader Blockchain Application

Blockchain can improve efficiency and secure smart contracts and transactions, regardless of the number of contracts or cross-border payments. It can also increase supply chain transparency and counteract theft and fraud. Gartner suggests blockchain will support the movement and tracking of $2T of goods and services annually by 2023.

Greater Need for Data Privacy & Protection

The growing threat of cybercrime makes the protection of data more important than ever. Companies must take proactive measures if they want to gain new clients, retain their existing client base and meet ever-increasing data privacy regulations.

In 2020, cloud and mobile security measures will take the forefront as business and consumer rely more heavily on off-site storage and mobile devices. Building consumer trust and effective customer relationship management remain paramount for business success.

Gig Economy Grows

The need for skilled workers in foreign countries increases as businesses expand globally. Luckily, according to a report issued by BCG Henderson Institute, gig platforms increase access to a variety of talent difficult to source through traditional labor markets. This is especially true in emerging countries where gig work has grown by more than 30%.

Those living in the region often have advanced skills and in-depth area knowledge. Many countries are focusing on a national workforce and impose legislative barriers on foreign workers. Hiring internally sidesteps this issue.

In 2020, expect to see more freelance and contract work as it often preferred by workers and business. Many people don’t want to commit to full-time employment and companies may want to test the waters before they commit to an employee.