

Unit I

Introduction to Management and Organizations

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Management-Definition

Management is defined as the process of designing and maintaining an environment in which individuals working together in groups to achieve their objectives effectively and efficiently.

Entrepreneur vs Manager

Bases of Difference	Entrepreneur	Manager
Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification.	But, the main motive of a manager is to render his services in an enterprise already set up by someone else i.e., entrepreneur.
Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur.
Risk bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise.
Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a 'change agent'	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk -bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

Management art or science

According to the nature of management, there is a controversy that whether management is a science or an art. This controversy is very old & is yet to be settled. It should be noted that, learning process of science is different from that of art. Learning of science includes principles while learning of art involves its continuous practice.

Management as a Science

Science is a systematic body of knowledge relating to a specific field of study that contains **general facts** which explains a phenomenon. It establishes **cause and effect relationship** between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

1. **Universally accepted principles** – Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. **E.g. – law of gravitation which can be applied in all countries irrespective of the time.**

Management also contains some fundamental principles which can be applied universally like the Principle of **Unity of Command** i.e. **one man, one boss**. This principle is applicable to all type of organization – business or non business.

2. **Experimentation & Observation** – Scientific principles are derived through scientific investigation & researching i.e. they are based on logic.

E.g. the principle that earth goes round the sun has been scientifically proved. Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers. E.g. it is observed that **fair remuneration** to personal helps in creating a satisfied work force.

3. **Cause & Effect Relationship** – Principles of science lay down cause and effect relationship between various variables.

E.g. **when metals are heated, they are expanded. The cause is heating & result is expansion.**

The same is true for management; therefore it also establishes cause and effect relationship.

E.g. **lack of parity (balance) between authority & responsibility will lead to ineffectiveness.** If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. ineffectiveness. Similarly **if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.**

4. **Test of Validity & Predictability** – **Validity of scientific principles can be tested at any time or any number of times** i.e. they stand the time of test. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles.

E.g. **H₂ & O₂ will always give H₂O.**

Principles of management can also be tested for validity. E.g. principle of **unity of command** can be tested by comparing two persons – one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

Management as an Art

Art means application of knowledge & skill to get the desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters –

Practical Knowledge: Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles.

E.g. to become a **good painter**, the person not only should know about the different colour and brushes **but different designs, dimensions, situations etc to use them appropriately**. A **manager** can never be successful just by obtaining degree or diploma in management; he must have also known **how to apply various principles in real situations, by functioning as a manager**.

Personal Skill: Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another.

E.g. there are several qualified painters but **M.F. Hussain is recognized for his style.** Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why **some managers are known as good managers** (like Aditya Birla, Rahul Bajaj) whereas others as bad.

Creativity: Every artist has an element of creativity in line. That is why he aims at producing **something that has never existed before which requires combination of intelligence & imagination.** Management is also creative in nature like any other art. **It combines human and non-human resources in an useful way so as to achieve desired results.** It tries to produce sweet music by combining chords in an efficient manner.

Perfection through practice: Practice makes a man perfect. **Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.**

Goal-Oriented: **Every art is result oriented** as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. **Managers use various resources like men, money, material, machinery & methods to help in the growth of an organization.**

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with shaping the attitude and behaviour of people at work towards the desired goals.

Management as both Science and Art

Management is both an art and a science. The above mentioned points clearly reveal that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

Levels of Management

- Top management
- Middle management
- Supervisory or operating management or lower level

❖ Top Level Management:

- ✓ Top-level managers constitute the **highest level** in the management hierarchy.
- ✓ This is the **policy making level in the organization.**
- ✓ It consists of **Board of Directors, Chairman, Managing Director and top functional heads.**
- ✓ Top managers are responsible for the overall management of the organization.
- ✓ They **decide enterprise objectives, policies and strategies to be pursued to achieve these objectives, design broad organization structure, provide overall direction and leadership to the company, represent company to the outside world, to decide distribution of profits, etc** are some of the functions of top management.

❖ **Middle level Management:**

- ✓ Managers who **work at levels between the lower and top levels constitute the middle management.**
- ✓ **Departmental heads, regional heads, zonal managers fall into this category.** They report to top managers.
- ✓ Their principal responsibilities are **to direct the activities of lower level managers to interpret and explain the plans and policies formulated by the top management, to train, develop and motivate supervisory personnel etc.**

❖ **Supervisory or Low level Management:**

- ✓ Also called as first line managers, they are lowest in the level of hierarchy.
- ✓ It **consists of supervisors, sales officers, accounts officers** etc. The distinguishing feature of these managers is that they deal with non-managers or workers.
- ✓ The functions of lower level managers include **planning day-today production within the goals laid down by higher authorities, supervise and control workers" operation, maintain discipline and good human relations among workers, report feedback information and workers" problems to the higher authorities etc.**

Managerial skills

Management is a challenging job. It requires certain skills to accomplish such a challenge. Thus, essential skills which every manager needs for doing a better management are called as Managerial Skills. According to Professor Robert Katz, there are three managerial skills, viz.,

- Conceptual Skills,
- Human Relations Skills, and
- Technical Skills.



❖ **Conceptual Skills**

- ✓ Conceptual skill is **the ability to visualize the organisation as a whole**. It includes **Analytical, Creative and Initiative skills**.
- ✓ It helps the manager **to identify the causes of the problems and not the symptoms**. It helps him to solve the problems for the benefit of the entire organisation.
- ✓ It helps the manager to fix goals for the whole organisation and to plan for every situation.
- ✓ According to Prof. Robert Katz, **conceptual skills are mostly required by the top-level management because they spend more time in planning, organising and problem solving**.

❖ **Human Relations Skills**

- ✓ Human relations skills are also called Interpersonal skills. It is an **ability to work with people**.
- ✓ It helps **the managers to understand, communicate and work with others**. It also helps **the managers to lead, motivate and develop team spirit**.
- ✓ Human relations skills are **required by all managers at all levels of management**. This is so, since all managers have to interact and work with people.

❖ **Technical Skills**

- ✓ A technical skill is the **ability to perform the given job.**
- ✓ Technical skills **help the managers to use different machines and tools.** It also helps them to use various procedures and techniques.
- ✓ The **low-level managers require more technical skills.** This is because they are **incharge of the actual operations.**

Roles of a Manager

Role is defined as the pattern of behaviour, which is defined for different positions. It refers to the expected behaviour of the occupant of a position. Henry Mintzberg identified ten basic roles performed by managers and classified them under three heads.

- Interpersonal Role
- Informational Role and
- Decisional/Decision Making Role

1. Interpersonal Role: of a manager is concerned with his interacting with other persons, both the organizational members and outsiders. There are three types of interpersonal roles:

A) **Figurehead:** A manager is a symbol, or a figurehead: This role is necessary because of the position occupied. In figurehead role, **the manager performs activities, which are of ceremonial and symbolic nature. These include greeting the visitors, attending social functions involving employees, handling out merit certificates and other awards to outstanding employees.**

B) **Leader**: The most important role of the manager is **to lead, guide and motivate subordinates and get work done properly**. A manager is responsible not only for his own act but also for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.

C) **Liaison**: A manager **serves as a connecting link between outside contacts such as the community, suppliers and others and the organization**. The major objective of this role is to maintain a link between the organization and its external environment.

2. Informational Role: of a manager includes communication – giving and receiving information – both within and outside the organization. The informational roles found by Mintzberg are:

A) **Monitor**: As monitor, manager **constantly gathers information about those factors, which affect his activities**. Such factors may be within the organization as well as outside it.

B) **Disseminator**: The manager **distributes the information to his subordinates who may otherwise not be in a position to collect the same**.

C) **Spokesperson**: Managers are spokes-persons or representatives of the organization. They **speak for subordinates to superiors and represent upper management to subordinates.**

3. **Decisional Roles**: By interacting with insiders and outsiders, the manager gets important information, which he can use, for taking decisions and solving problems. In his decisional role, the manager performs four roles: -

A. **Entrepreneurs**: Manager assumes certain risk, which is involved in terms of the outcomes of an action because they are effected by a variety of external factors. Since these factors are dynamic and change constantly, the manager is **required to bring suitable changes in the organizational processes to align these with the requirement of the environment.**

B. **Disturbance / Conflict Handlers**: As disturbance handler, the manager is **required to control those forces and events which tend to disturb the organizational equilibrium and normal functioning.** These forces and events may be strike by employees, shortage of raw materials, employee complaints and grievances, mass absenteeism, resignation of subordinates, losing of customers, etc.

C. **Resource Allocator**: The manager mobilizes and utilizes, both physical and human resources efficiently for the accomplishment of pre – determined objectives. In the case of multiple objectives, **managers set priorities for allocation of resources.**

D. **Negotiator**: The manager **negotiates with various interest groups in the organization.** Such interest groups are shareholders, employees, customers, suppliers and other outside agencies.

The above ten roles form an integrated whole. In addition, managers in any organization work with each other to establish the organization's long-range goals and to plan how to achieve them.

Evolution of Management thought

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graph TD; A[Evolution of Management thought] --> B[Early classical approaches]; A --> C[Neo-classical approaches]; A --> D[Modern approach]; B --> B1[•Scientific Management]; B --> B2[•Administrative Management]; B --> B3[•Bureaucracy Management]; C --> C1[•Human relations approach]; C --> C2[•Behavioural approach]; D --> D1[•Quantitative approach]; D --> D2[•Systems approach]; D --> D3[•Contingency approach];
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Early classical approaches

- Scientific Management
- Administrative Management
- Bureaucracy Management

Neo-classical approaches

- Human relations approach
- Behavioural approach

Modern approach

- Quantitative approach
- Systems approach
- Contingency approach

- Scientific management
 - Focuses on matching people and tasks to maximize efficiency
- Administrative management
 - Focuses on identifying the principles that will lead to the creation of the most efficient system of organization and environment
- System approach
 - Problem is studied in both micro and macro level
- Contingency
 - How the external environment affects the organization and managers

- Scientific management theory

- Began in the closing decades of the nineteenth century after the industrial revolution
- **Small workshops run by skilled workers who produced hand manufactured products (a system called crafts-style production) were replaced by large factories.**
- **Many of the managers and supervisors had only technical knowledge and were unprepared for the social problems** that occur when people work together in large groups
- Managers began to search for new ways to manage their organizations' resources, and soon they began to focus on how to increase the efficiency of the employee-task mix.

- Adam Smith

- One of the first to look at the effects of different manufacturing systems
- He compared the performance of two different manufacturing methods. First was similar to crafts style production in which **each employee was responsible for all the tasks involved in producing a pin**. The other had each employee **performing only one or a few of the total tasks in making a completed pin**
- Smith found that factories in which employees specialized in only one or a few tasks had greater performance than the other.
- **Smith found that 10 employees specializing in a particular task could make 48000 pins a day whereas those employees who performed all the tasks could make only a few thousands.**
- Smith concludes that employees who specialized became much more skilled at their specific tasks, as a group able to produce a product faster than the employee who had to perform many tasks
- **Job specialization—the process by which a division of labour occurs as different employees specialize in different tasks over time—increases efficiency and leads to higher organizational performance.**

- Fredrick Winslow Taylor
 - **Called as the father of scientific management**
 - Spanning a period of 26 years in conducting a series of experiments in three companies: **Midvale steel, simonds rolling machine and Bethlehem steel.**
- Time and Motion study
 - **Since machinist, he knew how piece work employees used to hold back production because their employers would cut their piece rate as soon as there was a rise in production**
 - But the real trouble was no one knew **how much work it was reasonable to expect a man do.**
 - **Hence taylor started time and motion study with the help of stop watch and fewer and shorter motions were to be developed**
 - This replaced old rule of thumb knowledge of the workman
- Differential payment
 - Taylor introduced a new payment plan called the **differential piece work, in which he linked incentives**
 - Under this plan a **worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard.**

- Drastic reorganisation of supervision
 - In those days, it was customary that **the worker himself used to select his tools and decide the order in which the operations were to be planned**. The foreman simply told the worker what jobs to perform, not how to do the work
 - Taylor suggested that the **work should be planned by a foreman in an optimized order** and there should be many foreman as there are special functions involved in doing a job.
- Scientific recruitment and training
 - Taylor emphasized that the **manager should develop and train every worker to bring out his best faculties** and to enable him to do a higher, more interesting and more profitable class of work than he has done in the past.
- Intimate friendly cooperation between the management and workers
 - Taylor said that for the above suggestions to succeed, a complete mental revolution on the part of management and labour was required.
 - He believed that **management and labour had a common interest in increasing productivity**.

- The Gilbreths

- Frank and Lillian Gilbreth refined Taylor's analysis of work movements and made many contributions to time and motion study.
- Using motion picture cameras, they tried to find out the most economical motions for brick laying and classified all movements employed in industrial work into 17 basic called **therbligs** and also provided a shorthand symbol for each

- Limitations of scientific management

- Taylor's belief that economic incentives are strong enough to motivate workers for increased production proved wrong. No man is entirely economic because he needs other needs also such as security needs, social needs etc.,
- Taylor's time and motion study is not accentuated as entirely scientific. This is because two time studies done by two separate individuals may time the same job entirely different. There is no such thing as one best way so far the component motions are concerned.
- Having a man take orders from 7 to 8 different bosses resulted in confusion
- Advances in methods and better tools and machines eliminated some workers. This causes resentment among them

Administrative management approach

Henry Fayol's 14 Principles

❖ Division of Work

The full work of the organization **should be divided among individuals and departments**. This is because a division of **work leads to specialization, and specialization increases efficiency, and efficiency improves the productivity and profitability of the organization**.

❖ Discipline

Discipline means a respect for the **rules and regulation of the organization**. Discipline may be Self-discipline, or it may be Enforced discipline. Self discipline is the best discipline. However, **if there is no self-discipline, then discipline should be enforced through penalties, fines, etc. No organization can survive without discipline**.

❖ Authority and responsibility

According to Henri Fayol, **there should be a balance between Authority (Power) and Responsibility (Duties)**. Authority must be equal to Responsibility. If the authority is more than responsibility then chances are that a manager may misuse it. If responsibility is more than authority then he may feel frustrated.

❖ Unity of Command

According to this principle, **a subordinate (employee) must have only one superior** (boss or manager). A subordinate must receive orders from only one superior. In other words, a subordinate must report to only one superior. According to Fayol, if one subordinate receives orders from more than one superior then there will be disorder. This will affect the discipline, efficiency, productivity and profitability of the organization. Unity of Command is a very important principle of management. This principle is based on the rule "*Too many cooks spoil the soup.*"

❖ Subordination of Individual Interest to General Interest

In an organization, there are **two types of interest, viz., the individual interest of the employees, and the general interest** of the organization. The individual interest should be given less importance, while the general interest should be given most importance. If not, the organization will collapse.

❖ Remuneration

Remuneration is the price for services received. If an organization wants efficient employees and best performance, then it should have a good remuneration policy. This policy should give maximum satisfaction to both employer and employees. It should include both financial and non-financial incentives.

❖ Centralization

In centralization, the authority is concentrated only in few hands. However, in decentralization, the authority is distributed to all the levels of management. No organization can be completely centralized or decentralized. If there is complete centralization, then the subordinates will have no authority (power) to carry out their responsibility (duties). Similarly, if there is complete decentralization, then the superior will have no authority to control the organization. Therefore, there should be a balance between centralization and decentralization.

❖ Order

There should be an Order for Things and People in the organization. Order for things is called Material Order. Order for people is called Social Order. Material Order refers to "a place for everything and everything in its place." Social Order refers to the selection of the "right man in the right place". There must be orderly placement of the resources such as Men and Women, Money, Materials, etc. Misplacement will lead to misuse and disorder.

❖ Equity

The managers should use the equity while dealing with the employees. Equity is a combination of kindness and justice. Equity creates loyalty and devotion in the employees.

❖ Initiative

Management should encourage initiative. That is, they should encourage the employees to make their own plans and to execute these plans. This is because an initiative gives satisfaction to the employees and brings success to the organization.

❖ Stability of Tenure

An employee needs time to learn his job and to become efficient. Therefore, he should be given time to become efficient. When he becomes efficient, he should be made permanent. **In other words, the employees should have job security.**

❖ Unity of Direction

All activities which have the same objective must be directed by one manager, and he must use one plan. This is called Unity of Direction. For example, all marketing activities such as advertising, sales promotion, pricing policy, etc., must be directed by only one manager. He must use only one plan for all the marketing activities.

❖ Scalar Chain

Scalar Chain is a line of authority. This line joins all the members (managers and employees) from top to bottom. Every member must know who is his superior. He must also know who is his subordinate. Scalar Chain is necessary for good communication. Scalar Chain must not be broken in normal circumstances. However, if quick action is necessary, then this chain can be broken.

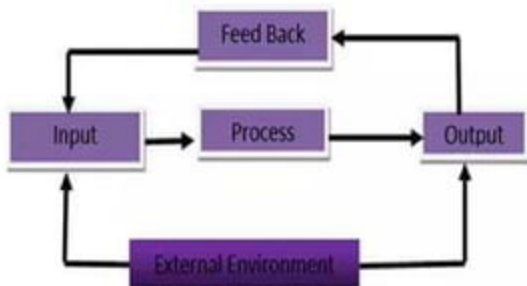


The Scalar Chain is shown by a double ladder A to G and A to Q. A is the head of the organization. B and L are the next level, and so on. If quick action is necessary, then a "Gang Plank" "FP" is made. Now F and P can contact each other directly but they should inform E and O about their decisions.

❖ Esprit De Corps

Esprit de Corps means "**Team Spirit**". Therefore, the management should create unity, co-operation and team-spirit among the employees. They should avoid the divide and rule policy.

- Systems approach



- **Systems theory** treats an organization as a system. A system can be either closed or open, but most approaches treat an organization as an open system. **An open system interacts with its environment by way of inputs, throughputs, and outputs.**
- organization is a system with parts such as employees, assets, products, resources, and information that form a complex system.
- A **closed system** is not affected by its environment. An **open system** is a system that is affected by its environment.

- An open system consists of three essential elements. An organization receives resources such as equipment, natural resources, and the work of employees, referred to as **inputs**. The inputs are transformed, called **throughputs**, and then yield products or services called **outputs**. Outputs are released into the environment.
- Feedback loops are an important feature of an open system. They provide information to the organization by connecting the outputs to the inputs
- Negative feedback indicates that a problem to be rectified. Positive feedback can identify outputs that have worked well.
- Several factors like economic, social, political, legal constitute this environment. Because of this management has to always watch if there is any change in its external environment.
- A successful management has to be more flexible by changing its strategy, plan, technique etc in response to the change noticed in the external factors such as demand, recession, severity of competition power cut etc.,

- Contingency approach

- According to this approach, management principles and concepts have no general and universal applicability under all conditions. In other words, **there is no one best way of doing things under all conditions. Methods and techniques effective in one situation may not work in other situations. Results differ because situations differ.**
- Accordingly the contingency approach suggests that **the task of managers is to identify which technique in a particular situation best contribute to the attainment of management goals.**

Types of Business Organization

. A business organisation usually takes the following forms in India

- Sole proprietorship
- Partnership
- Joint Hindu Family
- Cooperative Society
- Joint Stock Company

Sole proprietorship

- Sole Proprietorship form of business organization **refers to a business enterprise exclusively owned, managed and controlled by a single person with all authority, responsibility and risk.**
- There is no separation of ownership and management as is the case with company form of business organization.
- The formation and operation of a sole proprietorship form of business organization **does not involve any legal formalities.**
- **The sole proprietor enjoys the profits alone. At the same time, the entire loss is also borne by him.**
- **The liability of the sole proprietor is unlimited.** In case of loss, if his business assets are not enough to pay the business liabilities, his personal property can also be utilized to pay off the liabilities of the business.

Merits

- i. Easy to Form and Wind Up
- ii. Quick Decision and Prompt Action
- iii. Direct Motivation
- iv. Flexibility in Operation
- v. Maintenance of Business Secrets
- vi. Personal Touch

Limitations

- i. Limited Resources
- ii. Lack of Continuity
- iii. Unlimited Liability
- iv. Not Suitable for Large Scale Operation
- v. Limited Managerial Expertise

Partnership

- Partnership is a form of business organization in which **two or more competent persons join hands to carry on any lawful business after entering into an agreement to share the profit and loss of the business.**
- A partnership firm is **easy to form and also flexible** in its operation.
- It pools resources from the partners, makes their optimum utilization by taking better decisions.
- It protects the interest of each and every partner and gets benefit out of the specialized knowledge and skills of individual partner.
- Since partners share the profits and losses they show keen interest in the affairs of the business.
- **The partners of the firm have unlimited liability.** They are jointly as well as individually liable for the debts and obligations of the firms.
- **Partnership form of business organisation in India is governed by the Indian Partnership Act, 1932 which defines partnership as “the relation between persons who have agreed to share the profits of the business carried on by all or any of them acting for all”.**

Note: The maximum limit on the number of persons is 10 for banking business and 20 for other businesses. If the number exceeds the above limit, the partnership becomes illegal and the relationship among them cannot be called partnership.

Merits

- i. Easy to Form
- ii. Flexibility in Operation
- iii. Availability of Larger Resources
- iv. Better Decision
- v. Sharing of Risk
- vi. Active Participation
- vii. Benefits of Specialisation
- viii. Protection of Interest
- ix. Secrecy

Limitations

- i. Instability
- ii. Unlimited Liability
- iii. Nontransferability of share
- iv. Limited capital
- v. Possibility of conflicts

Joint Hindu Family

- The Joint Hindu Family (JHF) business is **a form of business organization run by Hindu Undivided Family (HUF)**, where the family members of three successive generations own the business jointly.
- **The head of the family known as Karta manages the business.** The other members are called co-parceners and all of them have equal ownership right over the properties of the business.
- **The JHF business is a jointly owned business. It is governed by the Hindu Succession Act 1956.**
- There is no restriction for minors to become the members of the business. As per Dayabhaga system of Hindu Law, both male and female members are the joint owners.
- In JHF business **outsiders are not allowed to become the coparcener.** Only the members of undivided family acquire co-parcenership rights by birth.
- **The liability of coparceners is limited to the extent of their share in the business. But the Karta has an unlimited liability.** His personal property can also be utilised to meet the business liability.
- Death of any coparceners does not affect the continuity of business. Even on the death of the Karta, it continues to exist as the eldest of the coparceners takes position of Karta.

Merits

- i. Assured Shares in Profits
- ii. Quick Decision
- iii. Sharing of Knowledge and Experience
- iv. Limited Liability of Members
- v. Unlimited Liability of the Karta
- vi. Continued Existence

Limitations

- i. Limited Resources
- ii. Lack of Motivation
- iii. Scope for Misuse of Power
- iv. Instability

Cooperative Society

- **It is a voluntary association of persons who work together to promote their economic interest. It works on the principle of self-help and mutual help. The primary objective is to provide support to the members.**
- The Section 4 of the Indian Cooperative Societies Act 1912 defines Cooperative Society as “a society, which has its objectives for the promotion of economic interests of its members in accordance with cooperative principles.”
- Members join the cooperative society voluntarily i.e., by their own choice. Persons having common economic objective can join the society as and when they like, continue as long as they like and leave the society and when they want.
- The Cooperative Society Act does not specify the maximum number of members for any cooperative society. However, after the formation of the society, the member may specify the maximum member of members
- Since registration of cooperative societies is compulsory, every cooperative society comes under the control and supervision of the government. The Cooperative . cooperative department keeps a watch on the functioning of the societies. Every society has to get its accounts audited from the cooperative department of the government.

- The capital of the cooperative society is contributed by its members. **Since, the members contribution is very limited, it often depends on the loan from government.** and apex cooperative institutions or by way of grants and assistance from state and Central Government.
- **The members get return on their capital investment in the form of dividend. After giving a limited dividend to the members of the society, the surplus profit is distributed in the form of bonus, keeping aside a certain percentage as reserve and for general welfare of the society.**

Types of Cooperative societies

- Consumers' Cooperative Societies
- Producer's Cooperative Societies
- Marketing Cooperative Societies
- Housing Cooperative Societies
- Farming Cooperative Societies
- Credit Cooperative Societies

Merits:

- Easy to form
- Limited liability
- Open Membership
- State Assistance
- Stable life
- Tax concessions
- Democratic Management

Limitations:

- Limited Capital
- Lack of Managerial Expertise
- Less Motivation
- Lack of Interest
- Dependence on Govt.

Current Trends and Issues in Management

- Workforce diversity
 - When workers join organizations, they come with their **different cultural values and life style preferences**
 - Therefore the challenge **to make them accommodate the diverse groups of people by addressing their different life styles, cultures, family needs and work styles etc.,**
 - If the diversity is properly managed, it can increase the creativity and innovation
- Changing demographics of workforce
 - Increasing number of womenfolk in industries, more and more young workers, increasing tendency of husband and wife working in same organizations are all changing the demographics of workforce. Such workforce requires to be handled with circumspection
- Changing employee expectations
 - Employee expectations and aspirations have **changed from traditional attraction such as job security, good and attractive remuneration, housing facility, empowerment, equality and quality life, employees expect quality with management**
 - The manager has then to redraw new methods of motivation such as job design

- Internal environment

- Creating an environment which is responsive to external changes, providing satisfaction to the members of the organization and sustaining it through culture, useful traditions, practices and even systems will become an important dimension of managing managerial personnel.

- Building organizational capabilities

- Managers will be required not only to acquire new skills and knowledge and to evaluate changes to develop business strategies but also to live in a psychological state of readiness to continually change

- Job design and organizational structure

- Designing an organization with foreign concepts such as quality circles, TQM should give way for strong organizational structural design. These organizational structure and design will primarily be based on the following two approaches i.e., Task approach and people approach
- The task approach is based on understanding of the details of technology, job and functions to be performed to achieve organizational tasks. People approach takes awareness of their strength, characteristics, aspirations and relationships at work.

- Changing psycho social system
 - The traditional bureaucratic model of compartmentalization of work function has already given way to **human participation not only in technical functions but also in establishing the democratic humanistic system**
- Technological advances
 - There is a constant upgradation in every technological field. In the wake of technological advances, **new jobs will be created and many old jobs will become redundant**. Unemployment resulting from modernization could be liquidated by properly assessing man power, needs and training of redundant employees in alternate skills.
- Management of human relations
 - **The new generation of work force comprising educated and conscious workers will ask for higher degree of participation and avenues for self fulfillment**
- Changes in legal environment
 - To meet increasing changes in the legal environment, **necessary adjustments will have to be made so that a greater utilization of human resources can be achieved**. Eg. In recent days, women are legally allowed to carryout night shift duties

- Changes in industrial relations

- Workers of today are more knowledgeable and they cannot be taken for granted. They are prepared to play a co determinant's role to resolve conflicts
- Therefore workers and managers must be managed and developed by the same set of assumptions and human relations philosophy of the organization

- Globalization

- It is the process of transformation of local or regional phenomena into global ones
- Globalization always refers to the intergeration of national economies into the international economy through trade foreign direct investment, capital flows, migration and the spread of technology
- Eg: Transfer of managers to different countries
- Eg: Managers need to work people with different cultures

Organization and environment factors

Internal factors

- Management
 - Management is people who invested in company and have property rights and claims on the organization. They have the right to change the company's policy at any time
- Organizational structure
 - Organizational structure also influences the business decisions. The organizational structure like the composition of board of directors influences the decision of business as they are internal factors
 - The structure and style of the organization may delay decision making.
- Employees
 - Employees are the most important element of the organization's internal environment who performs the tasks of the administration
 - If managed properly they can positively change the organizations policy. But ill management of the workforce could lead to a catastrophic situation of the company.

- **Organizational cultural change**

- It is the collective behaviour of members of an organization and the values, visions, beliefs, habits that they attach to their actions
- As organizational culture is the foundation of the organizations internal environment, it plays a major role in shaping managerial behaviour

- **Financial changes**

- The financial changes depend on the financial structure of the business. It is also dependent on the business transactions and the financial
- Eg. Changes in interest rate of a financier could affect business

External factors

General environment or Macro environment

- Technology
 - India is making rapid and significant advances in various fields such as energy, electronics, micro electronics and information technologies.
 - The technological developments have tremendous impact on the organization unless the manager copes with this development and he cannot survive in the competitive market
 - Today's organization needs to keep abreast of technological changes that affect their operations so as to remain competitive.
- Economic conditions
 - The fluctuations in economic activities of a nation such as gross domestic product(GDP), price level, unemployment, demand, supply of consumers etc.
 - These factors affect the cost of the input and the ability of customers to buy goods and services

- Political factors

- The performance, growth and survival of business in general to a larger extent depend on the attitude of the government towards the business
- Since the government is fully empowered to monitor and control the various institutions of the society, the policies perused by the government affects the business in significant way.

- Socio cultural factors

- It comprises basic needs, values and norms which shape the people
- New demands are created and old ones are lost in due course of action. They change our life style and social values
- Eg. Emphasis on quality of goods instead of quantity of good

Task environment or Micro environment

- Suppliers

- The raw materials supplied by suppliers in the organization are converted to output
- The relationship between organization and the suppliers of these inputs presents the forces in the environment that directly influences the operations of a firm
- Sudden shortages in supplying raw materials, labour strikes and other events will involve in the fulfillment of delivery promise to customers

- Customers

- Any organization which neglects the customer's expectations and aspirations would find some difficulties in long term survival
- Customer's taste and preferences are not static but they keep on changing. Organizations which are adopted in identifying the changes in the customer's attitudes and preferences or which can comfortably respond to changes in the positive way would survive

- Competitors

- Competitor of a company is a major influence in shaping the organization
- If an organization plans a strategy at one side, a number of other organizations might do the same calculations. Each and every company must identify their competitor, monitor their activities, capture their moves and maintain loyalty.

