

CH2404 Process Economics

Unit – I

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Functions of Management

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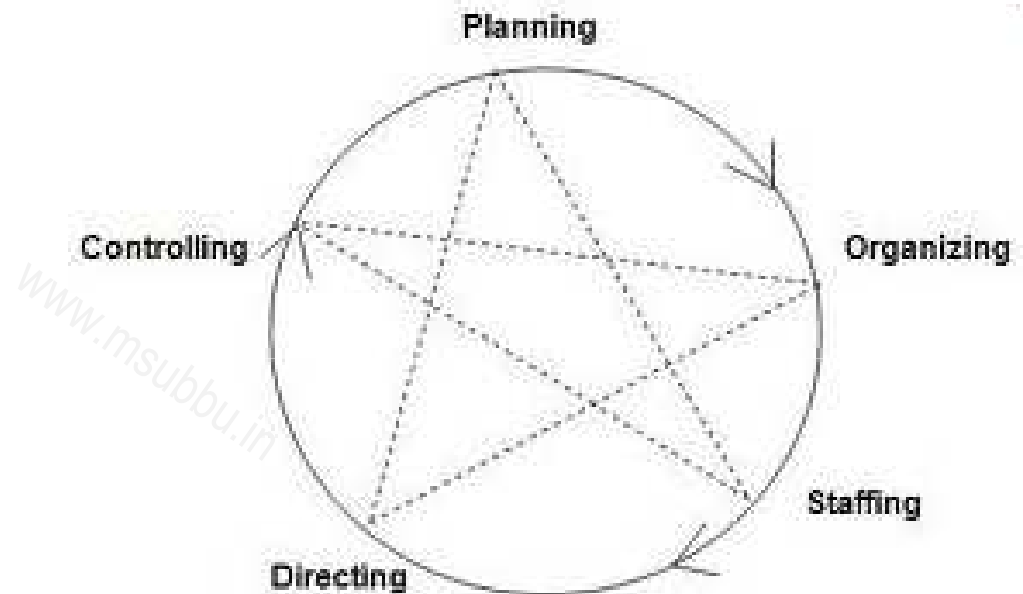
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- Planning, organizing, staffing, coordinating, directing, controlling, communicating



Functions of Management

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Planning

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Planning Function

- **Planning** means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action.
- It is rightly said "**Well plan is half done**". Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment.
- It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

Steps in Planning Function

1. Establishment of objectives
2. Establishment of Planning Premises
3. Choice of alternative course of action
4. Formulation of derivative plans
5. Securing Co-operation
6. Follow up/Appraisal of plans

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1. Establishment of objectives

- Planning starts with the setting of goals and objectives to be achieved. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts. Moreover objectives focus the attention of managers on the end results to be achieved.
- As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager. Such goals should be specified in qualitative terms.

2. Establishment of Planning Premises

- This is the second step in planning which involves establishing planning premises that is the conditions under which planning activities will be undertaken.
- Planning premises are planning assumptions—the expected environmental factors, pertinent facts and information relating to the future such as general economic conditions, population trends, competitive behavior etc.
- Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes. Internal premises are controllable whereas external are non- controllable.

3.Choice of alternative course of action

- When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- After objective and scientific evaluation, the best alternative is chosen.

4. Formulation of derivative plans

- Derivative plans are the sub plans or secondary plans which help in the achievement of main plan. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation

After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence. The purposes behind taking them into confidence are:

- Subordinates may feel motivated since they are involved in decision making process.
- The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
- Also the employees will be more interested in the execution of these plans.

6. Follow up/Appraisal of plans

- After choosing a particular course of action, it is put into action. After the selected plan is implemented, it is important to appraise its effectiveness. This is done on the basis of feedback or information received from departments or persons concerned. This enables the management to correct deviations or modify the plan.
- This step establishes a link between planning and controlling function. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

Organizing

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Organizing Function

- **Organizing** is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

Organizing Function - Steps

1. Identifying the activities
2. Organizing the activities
3. Classifying the authority
4. Co-ordination between authority and responsibility

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1. Identifying the activities

All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.

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2. Organizing the activities

In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.

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3. Classifying the authority

- Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order, to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen.
- The clarification of authority help in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.

4.Co-ordination between authority and responsibility

Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

Staffing

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Staffing Function

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnels to fill the roles assigned to the employers/workforce.

According to Theo Haimann, "*Staffing pertains to recruitment, selection, development and compensation of subordinates.*"

Nature of Staffing Function

1. Staffing is an important managerial function
2. Staffing is a pervasive activity
3. Staffing is a continuous activity
4. The basis of staffing function is efficient management of personnels
5. Staffing helps in placing right men at the right job
6. Staffing is performed by all managers

Nature of Staffing Function

1. Staffing is an important managerial function- Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.

2. Staffing is a pervasive activity- As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.

Nature of Staffing Function

- 3 Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
- 4 The basis of staffing function is efficient management of personnels** - Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.

Nature of Staffing Function

5. Staffing helps in placing right men at the right job. It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

6. Staffing is performed by all managers depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

Directing

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Directing Function

- **DIRECTING** is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if direction function does not take place.
- Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors.
- In simple words, it can be described as providing guidance to workers is doing work.
- In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently.
- Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals

Directing - Characteristics

- 1. Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
- 2. Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of organization.
- 3. Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.

Directing - Characteristics

4. **Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
5. **Executive Function** - Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
6. **Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

Controlling

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Controlling Function

- Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established.
- Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals.
- Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

Controlling Function - Definition

- According to Brech, "Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs."
- According to Donnell, "Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course."

Features of the Controlling Function

- **Controlling is an end function-** A function which comes once the performances are made in confirmities with plans.
- **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
- **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
- **Controlling is a dynamic process-** since controlling requires taking reviewal methods, changes have to be made wherever possible.
- **Controlling is related with planning-** Planning and Controlling are two inseperable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. *Planning presupposes controlling and controlling succeeds planning.*

Communication

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