INTRODUCTION TO
BUSINESS MANAGEMENT:
MODERN SCHOOL OF MANAGEMENT

Compiled By:
Shriya Sharma (Assistant Professor)
Durga Mahavidyalaya, Raipur

Prabodh
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2. Contingency or Situational Approach :- (JW Lorsch and PR Lawrence)

→ Manager must do what the situation warrants or manager action must be contingent upon organisation or enviroment.

If & then approach → If - Independent variable
Then - Dependent Variable

Management By Objective (MBO) - Peter F Drucker

→ 1954, in the book "Practice of Management"
Also known as Management By Result

- It is the process of setting objectives in the organi-sation to give a sense of direction to the employee

* Process of MBO :- 1.) Goal Setting.
2) Action Plan
3) Performance Appraisal.

* Assumptions of MBO :-

1.) Existance of mutual understanding between subordinate

2) Employee can perform better when they clearly know what is expected from them

3) Employees interested to know results of their performance & get fairly rewarded.

- Management by Objectives defines roles & responsibility for the employees & helps them chalk out their future course of action in the Organisation.

- MBO process leads to highly motivated & committed employees. and it sets benchmark for every employee.

Management By Exception :- (Fredrick Taylor)

FW Taylor

→ MBE is a concept that manager uses to focus on Key areas of business performance instead of looking at the business as a whole.

- MBE is a policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results

Types of Organisation :-

1 Line & Staff Organisation – It is an Improvement over traditional Line Organisation

In this orgo. primary & supportive activities are related to the line of supervision by appointing supervisor & specialists, who are linked to line authority.

CEO

Personnel Dev. | Finance Manager | R&D | Plant Manager | Law Dept

foreman | foreman | foreman | foreman

↓ | ↓ | ↓ | ↓

Operators | Operators | Operators | Operators

* Merits of line & staff org. :-

1. Expert advice
2. Benefit of specialisation
3. Better coordination
4. Benefit of R&D
5. Training
6. Balanced decision
7. Unity of action

* Demerits of Line & staff org :-

1. Conflicts
2. Costly
3. Staff ineffective in absence of authority.

2. Functional Organisation :- In functional org. it has to be divided to put specialists in the top position through out the enterprise.

President

- Division Product A
  - R&D . Production Finance
- Division Product B
  - R&D Production Finance
- Division Product C
  - R&D Prod. Finance

— Three authorities exist — Line, staff & functional

Plant Supritendent

Planning ⟷ Production

Planning ↓
Route Clerk → WORKMEN
Instruction Card Clerk → WORKMEN
Time & Cost clerk → WORKMEN
Displinarian → WORKMEN

Production ↓
Gang Boss → WORKMEN
Speed Boss → WORKMEN
Repair Boss → WORKMEN
Inspector → WORKMEN

* Merits of functional Org :-

1. Specialisation
2. Effective control
3. Economy
4. Efficiency
5. Expansion

* Demerits of functional Org :-

1. Confusion
2. Lack of coordination
3. Conflicts
4. Difficulty in fixing responsibility
5. Costly

3 Matrix Organisation :- It is an emerging structure of the org. which is a combination of functional org. & project org.

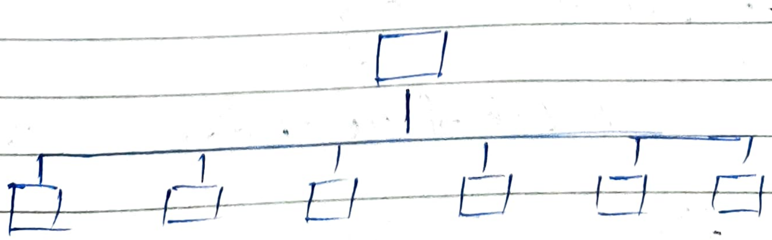
Here employees have dual reporting relationships - generally to both a functional manager & product manager.

- Breaks monotony & brings flexibility. Employees work with different collegues of different department with different expertise.

- 1) Functional Org. → Vertical chain of command
  2) Project org. → Horizontal.

Span of Management / Control :- It refers to the no. of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called SPAN OF MANAGEMENT

1.) Wide Span ✓ High level of competence in managers & workers
✓ Standard operating procedures
✓ Few New Problem.

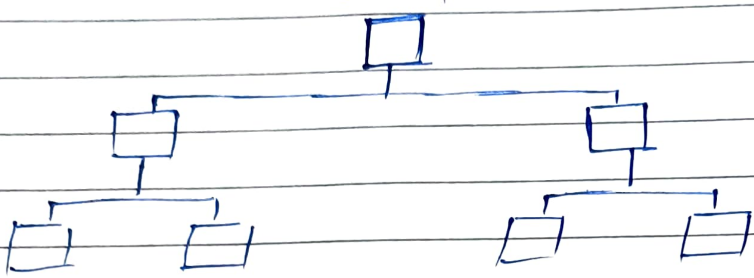


Flat Org.

Graicunas Theory — on superior subordinate relationship
(A V Graicunas 1933)

Kind of Relationship	Formula SPAN OF MGT. FORMULA	No. of Subordinates	No. of Relationships
1. Direct relationship (one-to-one relationship)	n	2 3	2 3
2. Cross relationship	$n(n-1)$	2 3	2 6
3. Group relationship	$n\left(\frac{2^n}{2}-1\right)$	2 3	2 9
Total number of relationships	$n\left(\frac{2^n}{2}+n-1\right)$	2 3	6 18

2) Narrow Span :- ✓ High level of interaction required between manager & worker
✓ High frequency of New Problem.



Tall Org.

VRIO Framework – (Jay B. Barney)
1991

→ It is a tool used to analyse firm's internal resources & capabilities to find out if they can be source of sustained competative advantage.

V —YES→ R —YES→ I —YES→ O —YES→ SUSTAINED COMPETATIVE ADVANTAGE

Valuable	Rare	Inimitable	Organised
NO ↓	NO ↓	NO ↓	NO ↓
Competative disadv.	Competative Parity	Temporary Competative Adv.	Unused Competative Adv.