![ambitiousbaba.com - India's Largest Test Prep Platform logo]

Module-A ABFM
CAIIB PAPER-3

The Management Process

CAIIB Paper 3 (ABFM) Module A: The Management Process

Index

No. of Unit	Unit Name
Unit 1	Basics of Management
Unit 2	Planning
Unit 3	Organizing
Unit 4	Staffing
Unit 5	Directing
Unit 6	Controlling

CAIIB Paper 3 (ABFM) Module A Unit 1: Basics of Management

Definition of Management

- The Cambridge Dictionary refers to Management as 'the activity or job of being in charge of a company, organization, department, or team of employees'.

- **Henri Fayol**, widely acknowledged as **the founder of modern management methods**, was instrumental in contributing immensely to **'formal organisation theory'.** The theory propounded by Henri Fayol included the six types of organisational activities, which also included management. It also explained the various functions and principles of management.

- **Frederick Winslow Taylor**, introduced methods to improve the industrial efficiency. He wrote the book **'The Principles of Scientific Management'.** Scientific management, also known as 'Taylorism', is a management theory which was used for analysing and synthesizing workflows with the main objective of improvement of economic efficiency and labour productivity.

Functions of Management

Planning

- **This involves setting of goals, determining the objectives of the organisation and selecting the future course of action required to be taken for accomplishing the objectives of the organisation**.
- When you plan, you decide in advance about what needs to be done, when and where it needs to be done, how it shall be done and who would be doing it.

Organising

Organising involves **taking decisions about division of work, allocation of responsibility and authority and task coordination**. It also involves the following areas**:**

- Task Management
- The Reporting Structure
- Decision Making

Staffing

- The major staffing activities **include recruitment, selection, training, development and motivation of the various categories of employees and fixation of their compensation** and reviewing it from time to time.
- Staffing also takes care of promotions, job rotations, job enrichment, transfers, termination and retirement activities

Directing

- Directing covers the functions of guiding and supervising the activities performed by subordinates.
- **It includes Leadership, motivation, communication and supervision.**

Controlling

The control function deals with monitoring and measuring of performances of people and comparing them with the pre-decided standards and projections.

Controlling involves the following four steps:

- Establishing performance standards
- Measurement of actual performance
- Comparison of actual performance against the established standards
- Taking corrective actions to achieve the desired objectives.

Importance of Management

- Effective Change Management Tool
- Helps achieve group goals
- Optimum utilisation of resources
- Improved functioning of business
- Development of various resources
- Contributes towards better organization
- Proper Direction to the organization
- Integration of various interests
- Management of fluctuations
- Innovation
- Inculcation of team spirit
- Problem solving
- Helps Employee Growth

Management Thoughts & Approaches

Classical or Traditional School

The classical school believes in the use of technology for increasing efficiency of the employees, and lays down more emphasis on the organisation, looks at the organisation as a machine and the employees as its parts, who are important only as a means of production.

The salient features of the classical or traditional school include:

- Having an integrated and centralised system
- Greater emphasis on production
- Concentration on errors and their rectification
- Assuming employees' continuity irrespective of organisational changes
- Based on an accounting model and
- Giving equal weightage to different types of jobs and employees.

Neoclassical or Behavioural School

This school of thought propounded the influence of human actions on the very existence of an organisation. An organisation, according to this theory, comprises of both formal and informal forms of organization, a fact which was overlooked by the Classical theorists.

This School of Thought had the following salient features:

- Focus on motivation
- Different persons get motivated diversely for satisfying their specific needs.
- For efficiency measurement, communication is a critical input.
- For organizational performance, team-work is essential
- The thought has two different perspectives, viz. Human Relations perspective and Psychological perspective.

This school of thought was also the originator of Maslow's hierarchy of needs, Douglas McGregor's X and Y Theory and Motivation-Hygiene Theory.

Maslow's Heirarchy Of Needs

- Human beings have wants and desires which influence their behavior. Only unsatisfied needs influence behavior, satisfied needs do not.

- Since needs are many, they are arranged in order of importance, from the basic to the complex.

- The person advances to the next level of needs only after the lower-level need is at least minimally satisfied.

- The further the progress up the hierarchy, the more individuality, humanness and psychological health a person will exhibit.
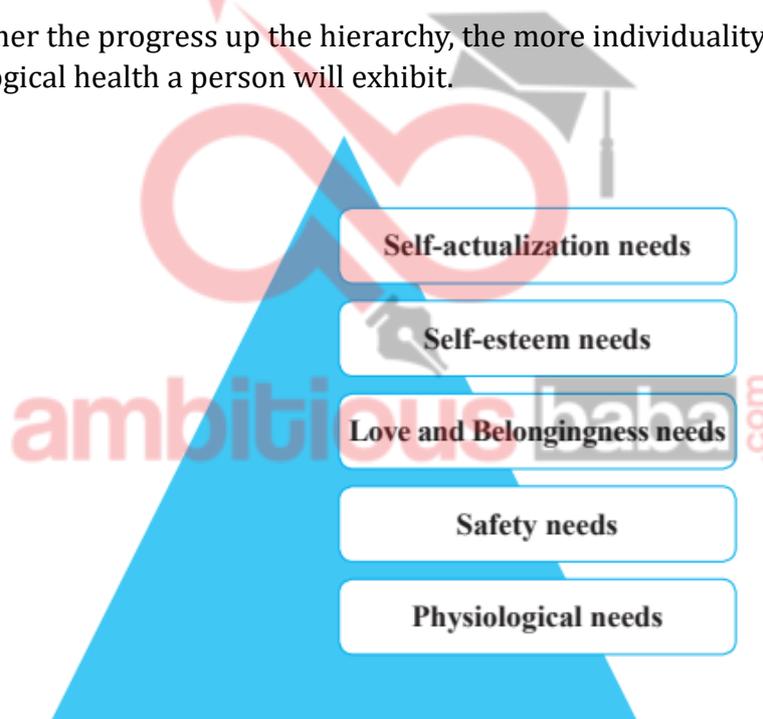
Douglas Mcgregor's X And Y Theory

Theory X stated that humans do not work without close supervision, while Theory Y propounded that humans love to work and there is no need of coercing them to work for achieving organisational goals.

Theory X Assumptions:

- The average human being is inherently lazy by nature and desires to work as little as possible. He dislikes the work and will like to avoid it, if he can.

- He avoids accepting responsibility and prefers to be led or directed by some other.

- He is self-centered and indifferent to organizational needs.

- He has little ambition, dislikes responsibility, prefers to be led but wants security.

- He is not very intelligent and lacks creativity in solving organizational problems.

- He, by nature, resists change of any type

Theory Y Assumptions:

- Work is as natural as play, provided the work environment is favourable. An average man is not really against doing work.

- People can be self-directed and creative at work if they are motivated properly.

- Self-control on the part of people is useful for achieving organizational goal. External control and threats of punishment alone do not bring out efforts towards organizational objectives.

- People have capacity to exercise imagination and creativity.

- People are not by nature passive or resistant to organizational needs. They have become so as a result of experience in organisations.

Motivation HygeineTheory

Frederick Herzberg's two -factor theory, or intrinsic/extrinsic motivation, concludes that certain factors in the workplace result in job satisfaction, but if absent, lead to dissatisfaction.

The factors that motivate people can change over their lifetime, but "respect for me as a person" is one of the top motivating factors at any stage of life. He distinguished between:

- **Motivation:** (e.g., challenging work, recognition, responsibility) which give positive satisfaction, and

- **Hygiene factors: (**e.g., status, job security, salary and fringe benefits) that do not motivate if present, but, if absent, result in demotivation.

Quantitative School or Management Science

The Quantitative School of Management **emphasises use of mathematical and statistical models for finding solutions to managerial problems.** The scientific management techniques, laid down by Fredrick Winslow Taylor, also helped in laying down the foundations of this approach.

The main characteristics of the quantitative approach to management include:

- Creation of models, theories and hypotheses.
- Collection of empirical data.

- Development of mathematical and statistical models.
- Data analysis.
- Experimenting in controlled environment.
- Testing with changes in variables.
- Development of various instruments.
- Development of quantitative techniques.

The System School of Management

- This school of management thought was propounded by Daniel Katz, and Ludwig Von Bertalanffy, They advocated the concept of management being an open system, which is required to interact with the environment constantly for getting resources, which are both valuable and limited.

The Contingency School of Management

- It stated that there cannot be a unique way of managing an organization, which can be labelled as the best way to manage or lead a business.
- **The best or the optimal way shall always depend or be contingent on the internal and external environment.**
- The contingency school of management thought is **criticised for being reactive and for failure to be proactive and for not providing some standard principles and procedures to be applied in specific situations**.
- This approach can turn out to be expensive in terms of money and time and development of a proper theory of management principles becomes almost impossible.

S. No.	Ohio State University Findings	S. No.	University of Chicago Findings
1.	**Consideration leader behaviour:** (a) Believes in building good rapport with subordinates and having good inter-personal relationship. (b) Shows support and concern for people.	1.	**Relation-oriented behaviour:** (a) Encourages social interactions (b) Involves mutual respect and trust (c) Empowers people
2.	**Initiating structure leader behaviour:** (a) Believes in proper structure for planning, scheduling and aligning different roles, with the task completion and attainment of business goals in mind.	2.	**Task-oriented behaviour:** (a) Defines structure and business goals (b) Emphasises planning (c) Defines priorities (d) Has a model for rewarding and punishing

The Contemporary School of Management

- Management theory continues to advance because of constant evolution of business practices and management techniques, especially in the wake of technological advancements. Further, continuous research is giving rise to new approaches to management.

- The concepts of **'Total quality management' and 'Learning organization' are quite relevant in this context.**

Total Quality Management

Total Quality Management focuses on the management of an organisation for delivering high quality goods and services to its customers. The approach originated in Japan after the Second World War. **The four main elements of this approach are:**

- **Employee involvement:** A high degree of involvement of employees is instrumental in preventing quality issues, before they occur.
- **Customer focus:** To improve quality, an organisation needs to focus fully on the requirements of its customers, and understand their business and what they want, with the objective of delivering products and services suitable to them.
- **Standardisation:** It is very important to use the industry standards as benchmarks for comparison with competitors and for evaluating your own performance.
- **Continuous Monitoring:** There should be continuous thrust on monitoring and changing for the better, so as to achieve improvement in all the areas of an organization.

Deming, Juran and Crosby were three main contributors to the Total Quality Management approach.

William Edwards Deming considered the quality of people more important than the quality of products. He laid down the following fourteen principles of Total Quality Management:

- ✓ **Consistency of purpose:** A consistency of purpose should be created for improving services and products
- ✓ **Adoption of the new philosophy:** The Organisation should adopt the new Total Quality Management philosophy
- ✓ Ceasing dependence on inspection
- ✓ Stopping lowest bid system
- ✓ Introduction of all-round improvement
- ✓ Instituting On-the-job training
- ✓ Instituting leadership
- ✓ Driving out fear by improving two-way communication.
- ✓ Breaking down barriers between staff areas and departments
- ✓ Eliminating exhortations
- ✓ Eliminating arbitrary numerical targets
- ✓ Permitting pride of workmanship
- ✓ Encouraging education
- ✓ Action for achieving transformation

Learning Organisation

A learning organisation may be defined as an organisation where all the employees take part in identifying and solving the problems which it faces, and which permits the organisation to continuously enhance its capacity to grow and learn, so as to achieve the organisational goals.

The five disciplines of a learning organisation are:

- **Personal Mastery:** It involves developing a capacity to achieve personal goals by creating an environment conducive to the growth of an employee's personal vision, which further leads to a shared vision.
- **Shared vision**: Business Leaders work together with employees to achieve a joint vision. They create an environment where employees feel that they are participating in the growth of the organisation and where management encourages employees to take risk.

- **Mental Models:** A mental model assists us in developing our understanding about the impact of the assumptions and generalisations, deeply ingrained in our minds, on our interactions with people, and the decisions taken by us.

- **Team learning:** According to Senge, humility is the very basis of team learning. The Team Members have to be ever willing to reflect and consider views of other people and should always be prepared to forget their personal biases for creating a collaborative work environment.

- **Systems Thinking:** The idea of 'systems thinking' envisages that everything is interrelated and interconnected. We cannot act as a disjointed set of personal silos. We need to look at the whole picture and understand how each part is connected.

Management Challenges & Opportunities

Management faces a lot of challenges for achieving the business objectives and also gets a lot of opportunities, which need to be properly evaluated in a time bound manner. Several issues which are faced by the management include:

- **Which business model to adopt?**
- **How to manage the information explosion?**
- **How to manage the changes taking place every now and then?**
- **How to face the threat of globalisation?**
- **How to manage the impact of environmental sustainability?**

Business Models

Business models are based on the type of clients to be served, the product offerings, the revenue earning model, ways of differentiating and sustaining competitive advantages, and the manner in which products or services are provided.

Some Business Models are:

- **Solution Providing or Consulting Services:** eg. IBM

- **Profit Pyramid Model:** Under this model, the customers are provided low-priced products initially and gradually they are moved to expensive products, where the business earns higher profits. General Motors followed this model.
- **Multi-component Systems Model:** Such models have been used by companies like Gillette and HP. Gillette sold the cheaper razors at no-profit no-loss basis and made money on High-end razor blades.
- **Advertisement Model:** These models offer the basic product free and make money through advertising. YouTube, Google etc. are live examples.
- **Switchboard Model:** This model allows a firm to acts as an intermediary for connecting multiple sellers with multiple buyers. eBay, Amazon, Flipkart
- **Time Model:** This model depends on how fast research and development happens.
- **Efficiency model:** A business following this model just waits for the market to mature with standardisation of the product and enters with low-cost and low-margin products with mass appeal. Wal-Mart and Dell
- **Blockbuster model:** This model is typically used by industries which are having the protection under patent laws, like pharma and film industry, where profits depend on a few items and are driven by star appeal.
- **Profit multiplier model:** This model involves developing concepts which may or may not be profitable but are used for driving other products through synergy. For example, Walt Disney used cartoon characters for developing theme parks, merchandise, and licensing opportunities, which gave them huge profits.
- **Entrepreneurial model:** This model deals with offering specialized products or services to clients which are not attractive to large competitors but have potential of fast growth. e.g., 1MG was acquired by Tata's.
- **De Facto industry standard model:** Free products, under this model, may be offered at a very low cost to increase the market share and for saturating the market to make everybody talk about the product as a great brand and industry standard. Subsequently, the users are offered high-end and high-margin products. Microsoft indulged into this strategy.

Information Explosion

Managing the Change

- ✓ New Products & Services
- ✓ Technological Changes
- ✓ Employee Management

Globalization and Environmental Sustainability

Impact of Globalization

- ✓ Increase in Transport of Goods
- ✓ Economic Specialisation
- ✓ Reduced Biodiversity

Impact of Environmental Sustainability

- ✓ GOAL 1: NO POVERTY
- ✓ GOAL 2: ZERO HUNGER
- ✓ GOAL 3: GOOD HEALTH AND WELL-BEING
- ✓ GOAL 4: QUALITY EDUCATION
- ✓ GOAL 5: GENDER EQUALITY
- ✓ GOAL 6: CLEAN WATER AND SANITATION
- ✓ GOAL 7: AFFORDABLE AND CLEAN ENERGY
- ✓ GOAL 8: DECENT WORK AND ECONOMIC GROWTH
- ✓ GOAL 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE
- ✓ GOAL 10: REDUCED INEQUALITIES
- ✓ GOAL 11: SUSTAINABLE CITIES AND COMMUNITIE
- ✓ GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION
- ✓ GOAL 13: CLIMATE ACTION
- ✓ GOAL 14: LIFE BELOW WATE
- ✓ GOAL 15: LIFE ON LAND
- ✓ GOAL 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS
- ✓ GOAL 17: PARTNERSHIPS:

Strategic Management

Strategic management is defined as the process by which a firm manages the formulation and implementation of its strategy". Strategy combines explicit statements and implicit beliefs and understandings in and around an organization about:

- **Mission:** Its core purpose and how, if at all, its mission will (or must) change in future.
- **Vision:** An image of its future direction and what it intends to achieve.
- **Clientele:** its scope, meaning, thereby, its main clientele now and those in the future
- **Resources:** The resources and competences that create value for its clientele and how these will (or must) change to maintain and enhance the future value created.
- **Present and Future:** The foundations of its present competitive standing and future sustainability.

Difference Between Plan and Strategy

Plan	Strategy
A plan is an arrangement, a pattern, a programme, or a scheme for a definite purpose	A strategy is a blueprint, layout, design, or idea used to accomplish a specific goal
A plan is very concrete in nature and does not allow for deviation.	A strategy is very flexible and open for adaptation and change when needed.
A plan is most useful when staying well organized and on-track is the highest priority	A Strategy is most useful when creativity, collaboration, and innovation are of the utmost importance

Strategies

- **Corporate strategy:** It covers the overall direction followed by the company. It would spell out the general attitude of the company towards growing and managing its different business lines, products and services.
- **Business strategy:** It would normally be prepared at the level of the business unit or at the level of product or service and it normally highlights the improvement in the specific industry or market ranking of the business entity's products or services produced or delivered by that business unit. **A business strategy could be competitive or cooperative.**
- **Functional strategy:** Refers to the approach adopted by functional areas for achieving the objectives of the business unit and the company by maximizing the productivity of available resources. For example, the functions of research and development and technology may turn out to be the prime contributors to the functional strategy. Another example is marketing function.

Elements of Strategic Management

Strategic management has the following four basic elements:
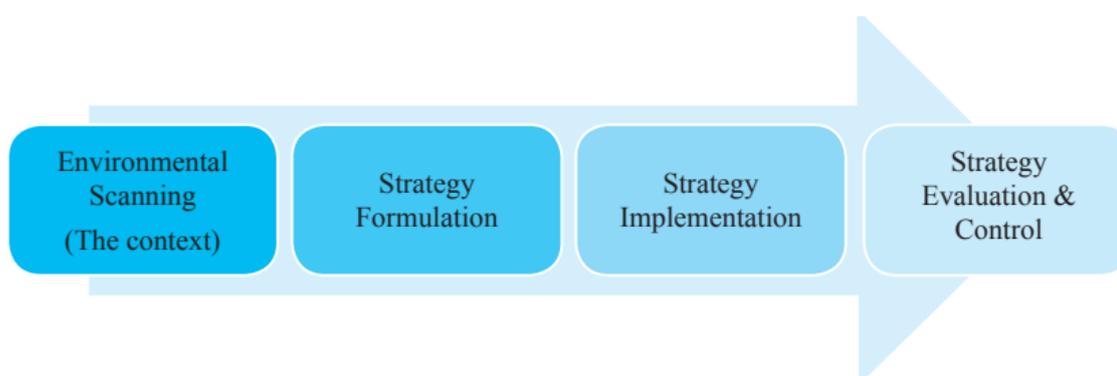
- **Environmental Scanning:** This refers to monitoring, evaluation and dissemination of information received from the internal and external environments. '**SWOT Analysis'** is one of the easiest ways of conducting environment scanning. SWOT refers the Strengths, Weaknesses, Opportunities, and Threats, applicable to a specific organisation.

- **Strategy Formulation:** Strategy formulation requires, on the basis of information gathered from situation analysis, to set strategic direction through business mission and vision statements, and establish strategic objectives to reach there, and generate, evaluate and select corporate, business and functional strategies to pursue.
- **Strategy Implementation:** Strategy implementation is the fine art of detailing: what all is to be done, when various tasks are to be performed, where are they to be performed, how they are to be performed and who will perform. Strategy implementation is the process of executing the strategy - of taking the actions that put the strategy into effect and ensure that organizational decisions are consistent with it.
- **Strategy Evaluation and Control:** Strategy evaluation is a logical step to obtain feedback from strategy's performance and taking corrective actions, if needed, in the light of constant external and internal changes.

Phases of Strategic Management

A business entity normally develops its strategy in the following four phases.

- **Basic Budgetary Planning:** This is an area where all managers, especially the Sales Managers, are involved for providing their views on the changes in the business environment, and propose the next year's budget. In this exercise, normally not much analysis is conducted and the source of data is confined to internal sources, to a large extent.
- **Forecast-based Planning:** The usefulness of annual budgets is limited from the long-term perspective. This has prompted managers to go in for a model for a long-term. This necessitates the compilation of long-term environmental data in addition to the information available internally, so as to enable the managers to prepare plans for more than one year. Extrapolation techniques may be used here for predicting.
- **Externally Oriented (Strategic) Planning:** Assistance from outside consultants is sought, wherever sophistication and innovation for gathering information and for projecting future trends, is required. The approach is top-down and strategic planning is entrusted to key managers of the organization, led by top in-house planning experts.
- **Integrated strategic plan/SM:** The implementation, evaluation, and control of strategic plans were accorded due importance at this juncture and the plans also started factoring contingencies with the appreciation of the fact that perfect planning or forecast is not possible. So instead of an annual plan, strategic plans for longer term of five years were introduced with continuous review at shorter intervals.

Benefits of Strategic Management

The right strategy impacts a business entity's performance positively. Strategic planning continues to attain more and more importance because of the ever-changing business environment.

The three most important benefits of strategic management are as under:

- The management gets a clearer sense of strategic vision of the business entity.
- Management is able to clearly focus on strategically important issues, faced by the entity.
- The dynamic environment can be better understood by management.

Business Environment Analysis

- A business does not operate in isolation and, to succeed, the management must understand the environment in which it operates.

- There are uncertainties, like technological changes and advancements, the ecological and social environment, the regulatory changes, political, social, cultural, and demographical changes, which can impact the performance of a business. The operating environment of a company like suppliers, customers, competitors etc. may also change. It is, therefore, imperative that a manager is able to analyse, understand and appreciate the business environment in which the organisation operates.

- **A SWOT Analysis** helps a lot in such situations. Effective managers must understand their external environment well and have to remain prepared for any eventualities and contingencies.

CAIIB Paper 3 (ABFM) Module A Unit 2: Planning

Fundamentals of Planning

- Planning is the process of engaging in thoughtful discussion before undertaking a task, which entails engaging in in-depth contemplation about that task and going into all the details meticulously to be ready with an execution and implementation plan, to save both effort and time.

- During the planning, each possibility, both present and future, that is even remotely connected to the goals, will be taken into consideration.

Planning covers

- What is to be done?
- Where it is to be done?
- How it is to be done?
- When it is to be done?
- Who will execute?

Steps in Planning

Opportunity Analysis

- Opportunity analysis entails analysing the opportunity, being aware of the opportunity, and basing the development of the business plans on this opportunity.

Objective Establishment

- Without knowing the objective, it is impossible to develop a strategy for its accomplishment.

Developing Planning Premises

- The collection of future forecasting-derived assumptions is known as the planning premises determination.
- The predicting must be based on a realistic assessment of the environment in which the plans are to be executed, as well as a creative understanding of the surroundings.

The premises cover the following areas:

- ✓ Forecasting
- ✓ Basic Policies
- ✓ Existing Plans.

Alternatives Identification

- The process of determining the availability of various means to attain goals is referred to as "**identifying alternative means.**"

Evaluating Alternatives

- When comparing the various approaches, the use of statistical methods and computers proves to be extremely beneficial.
- One of the processes might be less desirable or effective compared to the others, while another might be more suited to the immediate goal.

Selecting the best Alternative

- At this stage, the plan is to be adopted, and the numerous options are to be evaluated, so that it can be determined which plan can best assist in the accomplishment of the business objectives.
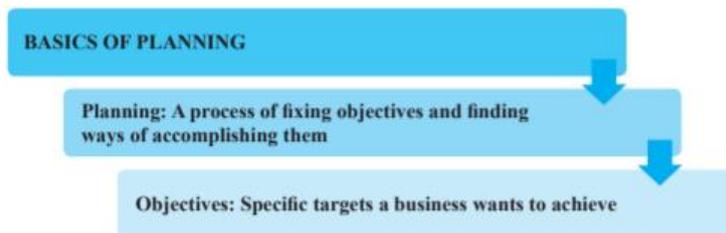
Formulating Derivative Plan

It includes making sub plans or secondary plans.

- Development of the new policies and procedures
- Coordination of the activities of the derivative plans
- Working in accordance with the targets of the main plan

Follow-up & Reviewing a plan

- Planning is a continuous process for ensuring attainment of business objectives. It is very important for a business entity to continuously monitor the implementation of the plans and keep adjusting and amending the plans as required.

BASICS OF PLANNING

Planning: A process of fixing objectives and finding ways of accomplishing them

Objectives: Specific targets a business wants to achieve

Importance of Planning

- Helps Goal Creation
- Provides Direction
- Tackles Uncertainty
- Discards overlapping and wasteful activities
- Promotes Innovative Ideas
- Facilitates Decision Making
- Controlling

A SMART goal is a carefully planned, clear and trackable objective. SMART is an acronym that stands for **Specific, Measurable, Achievable, Realistic, and Timely.**

Advantages in Planning

- **Coordination of Various Activities:** The coordination of efforts of various functionaries and departments of a business entity to achieve the goals, set out in the plan, is facilitated by planning
- **Optimisation of Resources:** Planning enables managers to determine which activities have the maximum demand for resources, and further helps them in the optimum allocation of these resources to the areas that will provide the maximum possible return on investment.
- **Inspirations and Responsibilities:** Planning lessens the likelihood of risk and outlines the accomplishments that are commonly anticipated of everyone. Individuals are compelled to work for a goal that they are familiar with and can comprehend and relate to.
- **Establishment of Execution Principles:** The planning process is distinguished by mile positions, which are used to mark progress along the way to the intended

result. The milestones serve as a reference point for determining whether things are moving as planned and, if not, when adjustments are necessary.
- **Adaptability:** When things start to change, the viability of the guiding principles is dependent on how well these can adjust to the new environment.

Basic Advantages Of Planning

- Planning reduces uncertainty.
- Planning is focused on objectives.
- Planning facilitates control.
- Planning encourages creativity and innovation.
- Planning anticipates problems and copes with change.
- Planning works with the board by destinations.
- Planning limits vulnerabilities
- Planning works with co-appointment.
- Planning works on worker's moral.
- Planning helps in accomplishing economies.
- Planning works with controlling.
- Planning gives the upper hand to the managers
- Planning empowers development

Disadvantages in Planning

- **Forestalls Activity:** It is possible that managers will become so immersed in the process of planning and getting ready for every possibility, that they won't have time to put their plans into action. It is sometimes referred to as "death by plan."
- **Lack of Concern:** If an Organisation has solid systems in place, its managers may be led to believe that they are aware of the path the Organisation will take and how it will accomplish its objectives. Because of this, it is possible that they won't be able to monitor the system's progress or recognise shifts in the external circumstances.
- **Forestalls Adaptability:** Even though well-laid plans have the potential to encourage adaptability, sometimes the opposite occurs Middle and lower-level supervisors may have the mentality that they are required to stick to an arrangement no matter what, even if their experience demonstrates that the arrangement is not working. They will continue to devote their time and resources to activities that are not.
- **Hinders Innovativeness:** People working for the organisation may get the impression that they are required to carry out the activities outlined in the plans because only that is expected of them and, how well they complete the systematic tasks assigned to them is what matters. They might be prevented from engaging in invention, drive, and learning via trial and error.

Basic Disadvantages Of Planning

- The process of planning takes a significant amount of time.
- The planning process may result in lack of trustworthy data.

- The process of planning could end up being very expensive.
- The act of planning results in rigidity.
- Planning is an exercise in fighting against change as the environment in which an organisation operates is ever-changing and dynamic.
- Planning could give a false impression of the organisation's strength.
- The plan may be adapted to fit the interests of individual participants rather than the goals of the overall endeavour.
- Inter-departmental rivalries may impact the effectiveness of planning.
- Human errors can result in bad planning.
- A rapidly changing environment may make planning harder.
- A manager's daily work schedule may be affected by his involvement in planning process.

Management By Objective

The phrase **"management by objective" (MBO) was coined by Peter F. Ducker** and first appeared in his book "**The Practice of Management**," which was published in 1954.

MBO process:	Establish goals and desired outcomes for each subordinate in a conference between the management and the concerned subordinate.
	Set performance standards.
	Assess performance achieved against goals set for the employee through frequent performance review meetings between the manager and the subordinate.
	Identify reasons for shortfall and give feed-back for improvement.
	Establish new goals and new strategies for the coming year.

Limitations of MBO

- The MBO approach frequently disregards the culture of the organisation as it exists today as well as its working conditions.
- Goals and targets receive a greater amount of attention. When managers forget about participation, employees' willingness to contribute, and the value of MBOs for management's professional growth, they put constant pressure on workers to achieve their objectives.
- Managers will frequently place a greater emphasis on goal setting than they will on issues pertaining to operations.
- The MBO approach does not place a strong emphasis on the significance of the environment in which objectives are formulated.
- Many managers have the habit of viewing MBO as a comprehensive system that, once implemented, can address any and all management concerns. Overdependence can bring problems into the MBO system.

Advantages of MBO

- It provides a means for determining one's goals and planning to achieve those goals.
- Planning enables one to behave in a proactive manner and to approach the accomplishment of goals in a disciplined manner.
- It also gives you the ability to plan for unforeseen circumstances and limitations that could make planning more difficult.
- The process of MBOs also enables the preparation of contingency plans and strategies for overcoming roadblocks, which may be obstacles to the plan.

- Objectives should be measurable so that progress can be monitored and altered as necessary. If goals are effectively set, managed, and accomplished, organisations have the potential to improve their overall efficiency

- A more effective use of the available resources

- An emphasis on the most important aspects of the results.

Disadvantages of MBO

- The process of setting goals can be time-consuming, which means that both the managers and the employees have less time to get their actual work done.
- The MBO programme requires elaborate written goals, careful communication of goals, and detailed performance appraisals, all of which contribute to an increase in the amount of paperwork an organisation generates.
- To achieve success, it is necessary for all of the employees to work together.
- Goals can become out of date and put a damper on employees' ability to take initiative and be creative.
- Too much multi-tasking can result in inefficiencies.
- The inability of the subordinate to feel at ease.
- Inflexibility.
- It might make the workers' lives more difficult and frustrating.
- MBO is an approach based on rewards and sanctions.
- MBO, sometimes, might lack appreciation by the employees and workers

Plan Components

For an organisation to achieve the goals, Planning is essential. The key components of Planning include:

- Objectives/ Goals
- Policies/ Overviews
- Procedures/ Directions/ Rules
- Programs/ Methods
- Budgets/Funding
- Time Schedule.
- Core values/ Mission/ Vision
- SWOT Analysis.
- Management.

Environmental Analysis

- "Environmental Analysis" refers to the process of examining all of the factors, both internal and external, that have an impact on the performance of the organisation. This can be done both systematically and qualitatively.

- The opportunity and the threats, that are external to the organisation, are portrayed by the external components, whereas the strength and the vulnerability of the business entity are shown by the internal components.

Environmental Analysis Steps includes:

- Identifying
- Scanning
- Analysing
- Forecasting

PESTLE Analysis

PESTLE refers to the following six factors that can have an impact on the company:

- Political
- Economic
- Social
- Technological
- Legal
- Environmental

Internal Analysis

The internal environment of a company can be classified into the following broad categories, based on its resources and assets:

- Physical resources like plant and machinery, technology, etc.
- Financial resources
- Distribution network
- Possession of strategic assets, such as access to raw material, locational advantage, regulatory protection, etc
- Network with outside organizations (suppliers, customers, government, distributors, etc.)
- Intangibles, like brand equity, goodwill, reputation, etc.

- Human resources-profile, skill, managerial competencies; and organizational structure and administrative system, culture and values, and employee motivation/relationship.

This internal analysis, which is initiated by the management of the company, is an attempt to identify the areas of risk and opportunity in the business. An organization's capabilities, resources, and competitive advantages are examined in

depth as part of an internal analysis, which reveals both the organization's strengths and its weaknesses in these areas.

Internal Analysis Tool

GAP Analysis

- The Gap Analysis is a tool for conducting assessments that gives organisations the ability to analyse and identify internal weaknesses as well as performance deficiencies.

- It is very easy to understand and put into practice, and it is helpful to compare the current position of the organisation to its projected position in the future.

Strategy Evaluation

- The process of analysing the outcomes brought about by the execution of a strategic plan is referred to as strategy evaluation. It is very useful and helpful to check that everybody understands the business strategy and works well with it.

SWOT Analysis

- SWOT stand for Strengths Weaknesses Opportunities Threats.

- The SWOT analysis is a useful model for conducting evaluations because it takes into account both internal and external factors simultaneously.

- It is especially helpful to conduct a SWOT analysis to obtain a comprehensive overview of a company, its products, its brand, or a new project at any stage in the project life cycle.

Contingency Planning

- Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected.

- The contingency plan minimises the risk associated with such unforeseen unpredictable events. The contingency plans are referred to as "Plan B" because they always work as an alternative course of action if things do not go as planned.

It involves the following:

- ✓ Specifying trigger points
- ✓ Estimating when contingent events are likely to occur.
- ✓ Assessing the impact of each contingent event
- ✓ Estimating the potential benefit or harm of each contingent event.
- ✓ Developing alternate plans
- ✓ Being sure that the contingency plans are compatible with current strategy and that they are financially feasible.

Forecasting And Decision Making

Forecasting

- The process of predicting or estimating the future based on the evidence from the past and the present is referred to as forecasting.

- The process of forecasting gives knowledge about the possible occurrences of the future as well as the implications those events will have for the business.

- It is not possible for forecasting to lessen the complexities and unpredictability of the future.

- Managers at different levels may be given the responsibility of making forecasts, or external or internal economists and statisticians may be employed for the task.

- Since forecasting makes use of a wide variety of methods, another name for the discipline is Statistical Analysis.

Types Of Forecasting

- **Long-Term Forecasts:** Forecasting for the long term typically covers a period of time ranging from **three to five years**. It gives an overarching perspective of the company's monetary requirements as well as the availability of the investable surplus in the foreseeable future.

- **Medium -Term Forecasts:** For making relatively minor strategic decisions pertaining to the functioning of the firm, projections over the medium term are generated. They play a crucial role in the operational budgeting as well as the business budgeting, and the budget of the firm is formed based on these projections.

- **Short-Term Forecasts:** The term "short term forecasting" refers to planning that is done for a period that is relatively brief, with the **planning period being less than one year and the duration ranging from one to six months.**

Decision Making

- Actual selection of one course of action, from among several alternatives, is called decision-making.

- Decision making is not confined to planning alone but also embraces other aspects of management like organising, staffing, controlling etc.

- Decision-making is a rational process and, to have a high degree of effectiveness, should be based on systematic analysis of all the relevant facts and not based on just intuition.

- Decision making plays an important role in enhancing the efficiency of the organisation as decisions relating to future course of action, are taken in advance.

Decision Making By Groups

- Whether a particular decision is to be made by an individual or a group depends on the policy of the organisation and thinking of top management. Before the

task is assigned to a group to decide on a particular matter, the exact scope of the group's authority to make that decision, should be clearly spelt out.

- **Advantages of Group Decisions include**: (i) Thorough evaluation, (ii) implementation of decisions is easier (iii) Enhanced team spirit.

- **Disadvantages of Group Decisions include** (i) Time consuming and costly, (ii) Disagreements and indecisions (iii) No-participation or domination.

Various Conditions for Decision-Making

The situations may be classified broadly into three scenarios, as under:

Certainty:

if the decision maker knows exactly what is going to happen, it is the condition of certainty, and he is able to precisely forecast the outcome. However, such conditions can be rarely expected to exist, in real business environment.

Risk:

- When information is available only partially or it is insufficient to estimate the outcome precisely, the decision is to be taken under the conditions of risk.

- As the outcome is not certain, a probability is assigned to each estimated outcome.

- When a probability estimate is assigned to expected outcome based on the past experience, it is called **objective probability**, and if it is assigned on the basis of intuition, it is called **subjective probability**.

Uncertainty

- When the decision maker feels that probabilities for various estimated outcomes cannot be assigned, it is called the situation of uncertainty. In such a situation, there is no way of measuring the likelihood attached to each estimate.

Principles of Decision-Making

There are a few principles which, if followed by the decision makers, will be helpful in enhancing the probability of the decision being correct. These principles of decision making can be summarised as under:

- **Principle of Definition:** Correct identification of issues involved goes a long way is arriving at a better decision. It is, therefore, important to be aware of the exact problems. After the exact problems have been correctly identified and defined, the work of the decision maker becomes easier.
- **Principle of Evidence:** Whenever a decision is based on evidence, it is likely to be better compared to decisions taken on the details which are not backed by evidence.

- **Principle of Identity:** In a decision-making process, it is important to consider, with an open mind, the viewpoints of all the people involved, before taking a final decision.

CAIIB Paper 3 (ABFM) Module A Unit 3: Organising

Organising

- Organising entails assigning tasks, grouping tasks into departments, and assigning authority with adequate responsibility, as well as allocating resources within an organisation to achieve common goals.

- Organising is the process of establishing or organising effective authority relationships between selected tasks, individuals, and workplaces to group work together in an efficient manner, as well as the process of separating work into sections and departments.

- If managerial planning is concerned with establishing what tasks should be performed, then organising is concerned with determining how those tasks should be performed

Stages In Organising Process

There are five stages in the organising process, which are as follows:

- Defining and reviewing the plans and objectives of the company.
- Determining the work activities needed to accomplish the objectives
- Categorising and grouping essential work activities into manageable units
- Assigning activities and delegating authority
- Designing a hierarchy of relationships

Principles of Organising

Work Specialisation

- Work specialisation refers to the degree to which tasks within an organisation are broken up into distinct jobs. This concept is synonymous with the term **"division of labour"** Every worker receives instruction on how to carry out the particular responsibilities that are associated with their particular function.

Authority

- The legitimate power that is delegated to managers so that they may make decisions, issue orders, and allocate resources on behalf of the organisation in order to accomplish the goals of the organisation is referred to as authority. The manager's job role determines the scope of his or her authority as well as the level of authority that comes with

Chain of Command

- It is the continuous chain of authority that, in the end, connects every individual with the most senior position in the organisation, with a managerial position serving as the connecting link at each successive level in between.
- The concepts of responsibility and accountability are enforced through a chain of command. The two guiding principles that underpin it are the **Scalar Principle and the Unity of Command.**
- **According to the principle of unity of command,** each worker should have just one manager, supervisor, or other reporting authority to whom he or she is directly accountable for work-related matters.
- **According to the scalar principle,** there ought to be a transparent chain of command that extends from the position of supreme authority at the very top of the organisation to each and every person working there, connecting all of the managers working at the various levels. It involves a concept known as a **'gang plank'**, which allows a subordinate to contact a superior or his superior in an emergency using a method that contradicts the hierarchy of control.

Delegation

- The act of delegating responsibilities or authority at work to other people, such as workers or subordinates, is known as delegation.

Span Control

- The number of workers who are under a manager's supervision is referred to as their **"span of control," which is also sometimes referred to as their "span of management."** It refers to the number of people who report directly to a manager and are accountable for the boss's actions.
- When a manager has a high number of people reporting to him, there is said to be a wide span of influence over the organisation. structure. A manager is said to have a restricted range of authority when there are fewer direct reporters under their supervision.

Types Of Organisation

The basic types of organisations may be classified as follows:

- **Centralised and decentralized organization**
- **Line and Staff Organisation**
- **Functional Organisation**
- **Committee Organisation**

Centralised and Decentralised Organisation

- **Centralised Organisation:** A centralised business structure is one in which key decisions, such as those on resource allocation, are made by a single individual, and that individual also provides the primary strategic direction for the company.
- Most small firms are run in a centralised manner, in which the business owner is responsible for making all essential choices concerning products, services,

strategic direction, and other crucial areas. On the other hand, the size of an Organisation is not necessary for it to be centralised.

- **Decentralised Organisation:** It functions by delegating decision making capabilities to multiple teams across geographies. Most of the planning, strategy and decision making is dome by middle and low level management with the involvement of team members.

Line And Staff Organisation

"**line-staff organisation**" refers to the method by which authorities (such as managers) formulate objectives and instructions, which are subsequently carried out by employees and other workers. A large and complicated business may use a line-staff organisational structure in an effort to increase their level of adaptability without giving up their managerial authority.

- Line executives always hold the authority of command, and the primary responsibilities of staff supervisors are to guide, advise, and counsel line executives.
- Within the line and staff organisation, work is segmented and specialised in accordance with individual needs.
- The entirety of the organisation is broken up into a variety of functional divisions, each of which has staff specialists assigned to it.The characteristics of specialisation make it possible to achieve efficiency in one's work.
- There are two different channels through which authority might flow simultaneously in a company or organisation: **a. Line Authority b. Staff Authority**
- The line executive retains control of the commanding role, while staff members are limited to advisory roles.

Advantages of Line and Staff Organisation

- Providing relief to line of executives
- Professional counsel
- Benefits of specialization
- Improvement in co-ordination
- Benefits of Research and Development
- Training
- Balanced decisions
- Unity of action

Disadvantages of Line and Staff Organisation

- A fundamental misunderstanding
- Lack of reliable guidance
- Conflicts between line and staff
- Expensive
- Assumption of authorit
- Staff steals the show

Functional Organisation

- A functional organizational structure organizes a company into different departments based on areas of expertise. It contributes to the preservation of quality as well as uniformity in the performance of a variety of functions across the entire company.
- **FW Taylor** was the one who initially proposed the idea of a functional organisation and advocated for the placement of knowledgeable individuals in key roles.
- All the activities of a functional organisation are broken down into their respective functions, which include functions like operations, finance, marketing, and personal relations.

There are three different authorities: line, staff, and function

- Each functional area is assigned to functional specialists who are vested with the authority to make all decisions pertaining to that function anytime that function is carried out anywhere within the organisation.

- The principle of unity of command does not apply to such an organisation because it already has a line structure in place for that purpose.

Advantages of Functional Organisation

- Specialisation

- Efficient Control

- Efficiency

- Cost-Effectiveness

- Expansion

Disadvantages of Functional Organisation

- Confusion

- Lack of coordination

- Difficulty in determining accountability

- Conflicts

- Expensive

Committee Organisation

- A committee organization represents a group of people with various kinds of knowledge, which is formally constituted to solve specific problems of the organization.
- A committee helps to gather collective ideas and information, properly analyze them which helps to make strong managerial decisions and solve difficult problem.

Advantages of Committee Organisation

- Improved Quality of Decisions

- Establishing goals, plans, and policies

- Participatory Management

- Decrease Prejudice and Conflicts

- Dealing with Complicated Problems

- Commitment to Implementation

- Sharing of authority

Disadvantages of Committee Organisation

- Creating Conflict

- Delay in Decisions

- The Possibility of Diversion

- The Shifting Tendency

- Lack of Secrecy

- Distribution of Responsibilities

- Division of Accountability

Organisation Structure

Formal Organisation (Open/Overt)	Goals and Objectives
	Policies and Procedures
	Job Descriptions
	Financial Resources
	Authority Structures
	Channels of Communication
	Products and Services
Informal Organisation (Hidden/Covert)	Beliefs and Assumptions
	Perceptions and Attitudes
	Values
	Feelings-Joy, Fear, Anger, Hatred etc.
	Group Norms

Formal Organisation

- As a result of the planning process, managers create an organisational structure to achieve methodical work and effective utilization of resources. This structure will be the outcome of organising the process.

- The accomplishment of the organisational goals is intended to serve as the motivation for the formal organisation structure.

- A formal organisational structure delegates distinct responsibilities to each individual member of the group.

- In a formal organisation, each member is given a specific amount of authority or decision-making power, depending on the nature of the organisation.

- The establishment of hierarchical connections between superiors and subordinates is a direct consequence of a formal organisational structure.

- The organisation's formal organisational structure serves as the backbone of its hierarchical communication.

Advantages of Formal Organisation

- Organised Tasks

- Successful Completion of Organisational Objectives

- Avoidance of duplication of functions

- Harmony

- Establishing One's Place in the Chain of Command

- Placement of a greater emphasis on work

Disadvantages of Formal Organisation

- Postponing an Action

- Does not consider the employees' social requirements:

- Placement of exclusive emphasis on work

Informal Organisation

- Individuals create some social and friendly groups within the organisation because of the interactions that take place between them while working in various employment positions. This structure is formed by a network of social and friendly groups.

- Unofficial organisational structures spring into existence on their own, and the primary purpose of these structures is to facilitate the attainment of psychological fulfilment.

- An informal organisational structure does not have a predetermined chain of command or set way for information to flow through it.

- Under an informal structure, it is impossible to determine the origin of information because any individual can contact any other member of the organisation.

- The formal organisation structure is necessary for the existence of informal organisational structures.

Advantages of Informal Organisation

- Effective and Rapid Communication

- Satisfies societal requirement

- Correct response

- Utilisation of informal organisation as a strategic tool

Disadvantages of Informal Organisation

- Engage in Rumour-Spreading

- No Organised Tasks

- Potential to have unfavourable effects

- Placement of a greater emphasis on individual interests

Organisation Charts And Manuals

- **According to George R. Terry, an organisation chart is a "graphical form" that illustrates the essential components of an organisation**. These components include key functions and the relationships that are associated with them, channels of supervision, and the degree to which each employee is in charge.

- **In larger firms, organisation charts are frequently accompanied with organisation manuals to provide further context**. Organisation manuals are limited to being in the form of brief notes and can only include departmental charts to illustrate the activities of each department and their relationship to the operations of other departments.

- In a nutshell, the **Organisation Manual is a pamphlet that outlines all of the specifics of the organisation**, including its goals and policies, authority, functions, tasks, and responsibilities of each unit, as well as all of the information related to it.

Organisation Charts

Organisation charts can be divided into two parts:

- **Master Charts:** This chart displays the entirety of the formal organisation structure.
- **Supplementary Charts:** Supplementary charts provide an in-depth look at the linkages, authorities, and responsibilities that exist inside a particular department or significant component of an organisation's specified area of responsibility.

Organisation charts can also be classified into the following three types based on how organisation charts are prepared:

- **Vertical chart or Top-down chart:** Vertical chart, also known as top-down chart depicts the level of organisation as a hierarchical pyramid with a line of command that descends from the highest level to the lowest.
- **Horizontal Chart or left to right chart:** The levels of organisation are shown going from left to right in this diagram. The chain of command is broken up into horizontal sections.
- **Circular Chart:** A circular form can be used to display a variety of jobs or functions that are held inside an organisation. A concentric or circular chart illustrates the vertex by placing it at the centre of a series of concentric circles. Locations that are regarded as having approximately the same level of significance can be found on concentric circles that are the same distance from the centre. Channels of formal power are represented visually by lines connecting various blocks of functions or positions.

Organisation Manuals

- An organisation manual adds to the information that is provided in an organisation chart by providing more data and serving as a supplement.

- A compact book that contains information about the aims of the organisation, the authority and responsibilities of various positions, as well as the processes and procedures that are to be followed is called an organisation manual.

The organisation manual can be broken up into the following four sections:

- Policy Manual
- Operational Manual
- Organisational Manual
- Rules and Regulations Manual

Advantages of Organisation Chart and Manual

- **Management Tool:** Both the Organisation Chart and the Organisation Manual contain information about the structure, positions, and authorities inside the organisation.
- **Avoidance of Overlapping and Duplicate Activities:** The organisation chart and manual are prepared after careful analysis of the jobs and positions requirements in the organisation. As a result, this ensures that all activities are covered properly by various positions.
- **Resolution of Organisational Conflicts:** An Organisation Chart and Manual Both clearly show Positions, Authority Relationships, and Procedures as a result, they serve as an easily accessible resource for resolving organisational problems.

- **Training Guides:** The organisation chart and manual both serve to evolve the work that is expected of employees in the organisation. As a result, they have the potential to serve as a method of on -the-job training.

- **Reference to Outsiders:** Because the organisational manual and chart clearly indicate the position, authority, and responsibility, outsiders who are unfamiliar with the organisation may know very easily with whom they must interact for a particular work task.

Disadvantages of Organisation Chart and Manual

- **Rigidity:** The organisational functioning is made more rigid with the help of charts and manuals. While the organisation chart and manual are being produced, there are several changes that take place within the organisation. As a result, the incorporation of modifications requires some time.
- **A Partially Completed Picture:** They only depict official ties and operating procedures. To exert more effective control over the actions of the organisation's members, managers need to be familiar not only with formal but also with informal patterns of interaction.
- **Inadequate Description:** An organisational chart just illustrates the reporting linkages, or who is responsible for what. The figure does not reveal the precise proportion of authority and responsibility that each person holds. As a result, the Organisation chart offers an inaccurate representation of authority.
- **Potential for Psychological Issues**: Because the chart places individuals in either a higher or lower position, respectively, a feeling of superiority or inferiority may arise, which may be counterproductive to the development of team spirit. It is possible that those at lower levels of an organisation won't be happy with the chart being maintained.

The Organisation Culture

- The values, attitudes, beliefs, and behaviours that characterise and contribute to an organisation's one-of-a-kind social and emotional work environment are referred to as the organisation's culture. Organisational culture is also referred to as corporate culture.

- The organisational culture is one of the things that is the most difficult to change because it is unique to each company and is comprised of both written and unwritten rules that have been developed over the course of time.

Types of Organisational Culture

- **The Clan Culture:** This culture has its foundation in working together. Members have a lot in common with one another and have the perception that they are part of a large family that is very involved in activities. The organisation is held together by its commitments and traditions, and leadership takes the form of mentoring for its members.

- **The Adhocracy Culture:** This culture is characterised by a high level of energy and inventiveness. It is expected of leaders to be innovative and entrepreneurial, and employees are actively encouraged to take calculated risks. Experimentation, with an emphasis on individual ingenuity and freedom, is the primary means by which the organisation maintains its cohesion.

- **The Culture of the Market:** This culture is founded upon the competitive nature of the market and the pursuit of tangible success. The focus is on achieving the goals, and the leaders are known to be strict and demanding. The organisation's members are all working toward the same objective, which is to achieve an edge over all of their competitors. Market share and profitability are the primary factors that determine value.

- **The Hierarchy Culture:** This culture is characterised by its emphasis on hierarchy and control. The atmosphere at work is very formal, and there are stringent protocols established by the institution to provide direction. A culture that places an emphasis on productivity and predictability is conducive to leadership because it requires organised coordination and monitoring.

Authority And Responsibility

Authority

- A superior has the legal right to issue commands to those under his or her supervision.
- The position of the boss within the organisation is the primary factor that, in most cases, determines who has authority.

- A superior can give his subordinate the authority to do something under his supervision.
- The chain of command moves from superior to subordinate in a downward direction.
- Authority can be defined as the legitimate power that an individual or group possesses over other individuals.

Responsibility

- A subordinate is obliged to his or her superior authority to complete the tasks that have been delegated to them.
- Responsibility is an outcome of the superior-subordinate relationship, in which the subordinate accepts the obligation to carry out the responsibilities that have been delegated to him.
- The subordinate cannot delegate this responsibility to anyone else.
- The chain of responsibility moves from the subordinate to the superior position in an ascending order.
- It means making a moral commitment to complete the work that has been allotted.

Sources of Authority

- **Legitimate Authority:** This type of power typically originates from the status quo and the cultural system of obligations that govern our rights and responsibilities. As a result, the "position" is accepted by the people as being "legitimate."
- **Coerciveness:** It is based on the ability of one person to instil fear in another person and is founded on the subordinate's expectation that punishment will be met for not agreeing or complying with superior orders or beliefs.
- **Rewarding Authority:** This results from the fact that some individuals possess the ability to reward you. Permitting Company paid vacations is example of awards.
- **Expertise:** This refers to the power that comes from having knowledge, abilities, and expertise in a particular field. Because superiors are in possession of this knowledge, subordinates strive to acquire it and carry out their instructions.
- **Referent Authority:** The recognition of a person's faith as a leader who is held in high esteem, admiration, and often imitation by those who are subordinate to them is the foundation upon which referent power is built.

Forms of Responsibility

There are two forms of responsibility:

Operating responsibility:

- Individuals are held accountable for their own actions in the workplace through the concept of "operating responsibility."

- The person who is doing the work is the one who is responsible for, or obligated to fulfil, operating responsibility.

Ultimate Responsibility:

- The manager is ultimately responsible for fulfilling his or her final task, which is to see to it that the work is carried out effectively by the staff members.

Organisational Change

- **The term "organisational change" refers to the actions that are taken by a company or business to modify a significant aspect of their organisation**. These aspects may include the company's culture, the underlying technologies or infrastructure that it makes use of to function, or their internal procedures.

The need for organisational transformation is driven by a variety of variables:-

- New management at the helm of the business entity or in other areas or departments within the organization
- Alterations to the organisational structure of teams
- The introduction of innovative technologies
- The adoption of novel business models

There are three primary categories of organisational changes, which are as follows:

- **Developmental Change:** Any modification to an organisation that results in an improvement to the processes and procedures that have already been established.
- **Changes during Transition:** This type of change moves an organisation away from its existing state and into a new state to address a problem, such as implementing a merger and acquisition or automating a task or process.
- **Transformational changes:** Such changes refer to the transformation of an organisation's culture and way of doing business that is both drastic and fundamental in nature. When undergoing transformative change, it is possible that the final effect will not be known. For instance, a company might branch out into whole new product categories or market niches.

Management of Change

- **A methodical and systematic strategy for addressing the transition or change of an organisation's objectives, procedures, or technologies, is referred to as "change management.**

- The goal of change management is to put into action tactics that will bring about change, control change, and assist individuals in becoming accustomed to change.

- The evaluation of each change request in terms of its potential effect on the project is an essential part of project management, and thus plays an important part in change management.

Resistance to Change

- The act of rejecting or battling against modifications or changes that affect the status quo is what we mean when we talk about change resistance. This resistance may show itself in a single worker or permeate the entire workplace.

- **A lack of readiness to adjust one's behaviour in response to changing conditions can be defined as resistance to change**. It can be done in an indirect or direct manner, organised or on a personal level.

There is a clear indication of resistance to change in functions such as:

- ✓ Denunciation or Fault Finding
- ✓ Nit-picking over tiny details
- ✓ Offensive or Insulting remarks
- ✓ Absence in meetings
- ✓ Dishonouring commitments
- ✓ Continuous arguments
- ✓ Disruptive behaviour

Approaches to Change Management

Lewin's Change Management Model: The model consists of three primary phases, which are Unfreeze, Change, and Refreeze,

- **Unfreeze:** According to Lewin's methodology, the process of transformation begins with the **preparation of the change**. This indicates that the organisation must be prepared not only for the possibility of change but also for the fact that change is both significant and essential. Making people realise why there is a need to change the existing method and how change can offer benefits is the most important thing that can be done here
- **Change:** The true transformation or change happens during this step of the process. This process can take some time to complete because people typically need some time to adjust to new happenings, advancements, and changes in their environment. At this point, strong leadership and assurance are essential.
- **Refreeze:** At this stage, the people in the company or organisation have shown that they are willing to accept, embrace, and work to put the change into effect. As a result, the firm or organisation starts returning to its previous state. Because of this, the stage is referred to as the **recycling stage**. This is the point in time when workers and processes begin to re-freeze, and things start getting back to the normal speed and routine that they were previously in.

McKinsey 7S Model:

The Seven Stages of the model:

- **Strategy:** A company's strategy is the game plan it devises to overcome its rivals and achieve its objectives. According to McKinsey's 7-S framework, this is the

first stage of change, and it involves the development of a step-by-step procedure or future plan

- **Structure:** Structure is the stage or characteristic of this model that pertains to the division of the organisation or the structure it follows.
- **Systems:** This stage is related to the manner in which the day-to-day activities are carried out in order to complete a task, and it focuses on how the task is carried out.

- **Values that are shared:** Shared values are the fundamental or primary principles that an organisation bases its operations and decisions on in order to function effectively.

- **Style:** The term "style" refers to the manner in which changes in leadership and organisational structure are accepted or put into effect.

- **Staff:** The term "staff" can refer to either the workforce as a whole or individual employees, as well as their individual capacities for work.

- **Skills:** The employees of the organisation possess a variety of skills in addition to their core competencies, which are described here.

Kotter's Change Management Principles: His theory of change management is structured in eight phases, with each phase concentrating on a key principle that addresses people's reactions to change.

- A rising sense of urgency
- Putting together the team
- Getting the vision right
- Communicating
- Getting things off the ground
- Concentrating on goals for the near term
- Not giving up
- Adapting to new circumstances

Nudge Theory:

- The essence of this principle consists of gently nudging or pushing someone, as well as encouraging and motivating them to make a change. It is based on indirect encouragement and enablement.
- **It avoids direct instruction or enforcement. Instead of telling people to change, you pave the way for them to choose to do so by themselves.**

ADKAR Model:

- The ADKAR Model or theory of change is a goal-oriented tool or model that enables various change management teams to concentrate on the steps or activities that are directly related to the goals it wants to achieve.
- Change managers can use models to identify various gaps or gaps in the process of change management in order to provide efficient training to employees.

A: Awareness/Consciousness - regarding the requirement and prerequisite for change

D: Desire - to both be a part of and contribute to the process of change.

K: Knowledge - how to effect this transformation

A: Ability - the ability to integrate change on a consistent basis

R: Reinforcement - both to maintain its current position and to add additional support later.

Bridges' Transition Model:

This approach, model, or theory is distinguished by the fact that it concentrates on progression rather than modification and, as a result, remains static.

The model centres on three primary steps, which are described in the following order:

- End, give up and let go
- Neutral zone
- New beginning

Kubler-Ross Five Stage Model:

This model is also known as the grief model because it discusses the various emotional states and stages that people go through when they become aware that their time on earth is ending. The model, which assists in comprehending and coping with one's own personal trauma, has gained widespread acceptance all over the world.

- Denial
- Anger
- Bargaining
- Depression
- Acceptance

Conflict Management

The process of resolving conflicts through conflict management aims to achieve a balance between minimising the potential for negative outcomes and maximising the potential for positive outcomes. The goal is to improve learning and group outcomes, such as an organization's efficiency or performance in a given environment.

Some Examples of Skills needed for conflict management are given below:

- Clear and effective communication
- Listening attentively
- Engaging in the practice of empathy.
- Problem solving
- Positive attitude
- Setting the priority levels
- Being patient.

- Understanding others' body language.

Conflict Resolution Strategies

- Refrain from ignoring the conflict
- Explain the nature of the issue
- Organise a meeting between various parties involved
- Identify a solution
- Maintain vigilance and follow up on the situation regarding the conflict

- Join CAIIB Telegram Group

- **For Mock test and Video Course
  Visit**: **course.ambitiousbaba.com**

- Join Free Classes: **JAIIBCAIIB BABA**

- Download APP For Study Material: Click Here
- Download More PDF

Click here to get Free Study Materials Just by Fill this form

CAIIB Paper 3 (ABFM) Module C Unit 4: Staffing

Staffing

Managers are responsible for building an organisation through the process of recruiting, selection, and development of individuals as capable employees. This process is known as staffing.

Functions of Staffing

- Obtaining qualified individuals for various job positions inside the organization
- The process of staffing ensures that the most qualified candidates are selected for open positions, which results in greater levels of both productivity and performance.
- It contributes to the promotion of the most effective and efficient usage of human resources in a variety of ways.
- The successful recruitment of the right person raises the level of job satisfaction and morale experienced by workers
- The process of staffing serves to guarantee that human resources are used more effectively.
- It secures the organization's continued existence as well as its continued expansion using development managers.
- Proper people can be placed in the right jobs with the help of staffing services.
- Staffing is a function that is used in many different contexts. It is the responsibility of managers at every level of management to carry it out.

Objectives Of Staffing

The important objectives of staffing are:

- To get the appropriate employees for the appropriate positions.
- To educate and cultivate the available human resources.
- To design policies for personnel matters, such as transfer, promotion, and other related work.
- To effectively shape the available human resources and to motivate those resources toward better levels of performance.
- To create a positive and productive working connection between employers and employees as well as between different groups of employees.
- To ensure that the demands of the workers are met to the workers' satisfaction so that they will become dedicated and loyal to the organisation.
- To keep positive human interactions in place in order to foster strong morale among the workforces.

Facets Of Staffing

There are three primary facets of staffing, which are as follows:

- **Recruitment:** Recruitment is a positive process that seeks to attract a bigger number of people with ideal profiles to apply for open positions. The organization's goal with recruitment is to fill positions as quickly as possible. The more people that apply for a job, the better your chances are of finding an applicant who meets your requirements
- **Selection:** Selection is a procedure that eliminates candidates by carefully reviewing their applications and choosing those who are the best fit for the open position. The selection process is different from the recruitment process in that it rejects applications.
- **Training:** Training is another constructive activity that improves the employees' knowledge and abilities, as well as their capacity to do their jobs more effectively.

Significance Of Staffing

- Recognizes Competent Staff
- Enhancement of Overall Performance
- Ongoing Capability for Survival and Development
- The Optimal Employment of the Available Human Resources
- Increases Job Satisfaction and Contributes to a Positive Morale

System Approach to Staffing

- A method based on an open system is required for staffing. **It is carried out within the company, which, in turn, is linked to the environment outside the company.** For this reason, it is necessary to take into consideration the internal factors of the company, which include the personnel policies, the organisational climate, and the reward system.

- The current organisation structure, as well as any plans for the structure, will determine the number and types of managers needed. Using the management inventory, a comparison is made between the needs for managers and the available talent. **According to the findings of this investigation, both external and internal sources are used in the procedures of recruitment, selection, placement, promotion, and termination.**

- As the model demonstrates, **staffing has an impact on both leading and controlling. For instance, managers who have received adequate training are able to cultivate an atmosphere in which members of the workforce can simultaneously achieve both the enterprise's goals and their own personal objectives** by cooperating in groups. In other words, having the appropriate number of staff makes leading easier.

- **The external environment is also something that cannot be ignored; high technology calls for managers who possess a high level of education, training, and expertise**. It is possible that an organisation will not be able to

expand at the desired rate if it is unable to satisfy the demand for managers of this type.

Recruitment

Staffing refers to the process of hiring individuals who are the most qualified for a job whereas recruiting is the process of finding potential applicants for a job and encouraging them to apply for the vacant post.

The primary stages involved in the recruitment process:

- Determining the need for hiring
- Conceiving a recruitment strategy
- Drafting a job description
- Publicising the position
- Recruiting candidates for the position
- Examining applications
- Conducting a phone interview or initial screening
- Conducting interviews
- Evaluating candidates
- Conducting a background check
- Making a decision
- Checking references
- Making an offer of employment
- Hiring candidates
- On boarding of candidates

Types of Recruitment

- **Internal Recruiting**: The process of filling open positions within a company with current staff members from that organisation is known as internal recruiting.
- **Retained Recruiting:** When a company engages a recruiting firm, they can do so in numerous different ways; one of the most prevalent ways is retained recruiting. When an organisation hires a recruiting firm to fill a vacant position, the organisation is responsible for paying an upfront fee to the recruiting firm. Up to the point that the post is filled, the company is responsible for locating potential candidates.
- **Contingency Recruiting:** This type of recruiting, like retained recruiting, requires the assistance of an outside firm. In contrast to retained recruiting, contingency hiring does not require an upfront payment. Instead, the recruitment company is only compensated when one of the candidates they represent is offered and accepts a position within an organisation.
- **Recruiting for Staffing Agencies:** Staffing recruiters are employed by staffing agencies. Staffing and recruiting involve pairing skilled job seekers with open positions that meet their qualifications. In addition, most of the jobs that staffing companies fill are either temporary or only available for a limited time.

- **Outplacement Recruiting:** When it comes to recruitment, outplacement is a type of advantage that is often sponsored by employers and assists former employees in making the transition into new jobs. The purpose of outplacement recruiting is to equip people who have lost their jobs with the tools necessary to locate new employment or pursue other lines of work.
- **Reverse Recruiting:** This is a procedure in which an employee is urged to seek employment with a new business that offers a better fit for their skill-set. This process refers to the practice of encouraging an employee to seek employment with a different organisation. Workers who need assistance with this procedure can take advantage of our Reverse Recruiting service, which offers reviewing of resumes, holding mock interviews, and providing in-depth explanations of various job roles and responsibilities

Selection

The phase of the staffing process known as selection is the component of the hiring procedure that entails selecting an employee to hire from a shortlist of exceptional applicants who have been reduced.

The Selection Process

- **Preliminary Interview:** This is a very generic and basic interview that is held to exclude the candidates who are utterly unfit to work in the organisation.
- **Taking Applications:** The candidates submit their resumes. The application provides the interviewers with information about the candidates, such as their biographical data, their work experience, their hobbies and interests.
- **Examining the Applications:** Once the applications have been received, a special screening committee examines them in order to select potential candidates from among the applications who will then be contacted to schedule interviews.
- **Employment Tests:** This is accomplished by the administration of numerous job exams, including IQ tests, aptitude tests, competence tests, personality tests, and so on.
- **Formal Interview:** Interviews for jobs are conducted to determine in great depth a candidate's skill set and whether they have the capacity to work in the business. The purpose of an employment interview is to determine whether the candidate is suitable for the position, as well as to provide the candidate with information regarding the work profile and the responsibilities that would be expected of the potential employee.
- **Verification of References:** The individual who provides a possible employee's reference is also a very important source of information, so we must check with them. The referee will be able to provide information regarding the individual's capabilities, experience in the prior firms, leadership, and managerial skills, and more.
- **Medical Tests:** Employers can determine whether or not any of the potential applicants are physically and psychologically fit to undertake the tasks associated with their professions with the help of medical examination. There would be

fewer incidents of absenteeism, accidents, and employee turnover if there is an effective system of medical check-ups in place.

- **Final Selection and Appointment:** This is the last phase in the selection process, and it consists of a letter announcing the final selection and appointment

Training

Training is the process of increasing the skills, capacities, and knowledge of workers so that they are better suited to perform certain job duties. The training process shapes the way people think and ultimately leads to improved work performance from those individuals.

Importance of Training

- **Boosts Employee Morale:** Training helps employees achieve job stability and job satisfaction, which in turn boosts employee morale.
- **Decreased requirement for supervision:** An employee who has received adequate training will be familiar with his duties and details of his work and will require less oversight.
- **Reduction in the number of accidents:** When a person has received additional training, there is a decreased likelihood of them being involved in an accident while on the job, and they also become more proficient.
- **Increased Promotion Chances:** Training helps employees improve their abilities and effectiveness, which increases their chances of being promoted.
- **Increased productivity:** Employees that have received adequate training demonstrate both quantity and quality in their work. If staff are given the appropriate training, there will be less waste of time, money, and other resources.

Types of Training

- **On-the-job Training:** This type of training refers to the methods that are used to instruct workers while they are performing their regular duties at an organisation. The training method is straightforward and efficient in terms of cost. **"Learning by doing"** is the guiding principle behind this type of instruction. **On-the-job training can take many forms, such as job rotation, mentoring, temporary promotions.**
- **Off-the-job Training :**. Training that takes place in a setting that is not the employee's normal place of employment is referred to as "off the job training." It is typically utilised if new workers are hired. **Workshops, seminars, conferences, and other similar events are all examples of non-work-related training opportunities**. A system like this is expensive, but it is effective if and only if a big number of people need to be trained in a relatively short amount of time. **Off the job training is also known as vestibule training, which means that the employees are trained in a different place (which could be a vestibule consisting of a corridor, an entrance, a reception room, or something else) where the actual working conditions are**

Retention And Development

Practices that contribute to retention arise in every area of HR, and all positions within an organisation will need to collaborate with one another to develop and implement retention plans that incorporate multiple facets.

Effective Practices in Retention

- **Hiring:** Practices regarding talent acquisition can have a significant impact on turnover, and a significant body of research indicates that **one way to reduce turnover among newly hired employees is to give applicants an accurate preview of the work they will be doing as part of the recruitment process.**

- **Possibilities of Socialising:** New employees have a greater chance of remaining with an organisation if they are exposed to socialisation practices, which are often given as part of an integrated on boarding and integration programme. These practices consist of **official and informal events that assist individuals get to know one another, and the assignment of more experienced employees as role models for new employees in the company.**

- **Training and development:** Employees who are not provided with the opportunity to **regularly upgrade their skill sets** are more likely to leave a company that does not provide these possibilities.

- **Compensation and rewards:** business has three options available to it in order to retain its workforce: a) Establishing the company as the industry leader in terms of salary and awards. b) Using a person-based compensation structure to allow for the customization of rewards to specific requirements. c) Making an obvious connection between retention and rewards

- **Fair Supervision:** Fair treatment by a supervisor is the single most critical factor in determining whether an employee will remain in their position.

- **Employee involvement:** employees who were highly engaged in their work had a probability of quitting that was five times lower than employees who were not engaged in their work.

Knowledge And Learning Management

The processes of generating, exchanging, utilising, and managing information and knowledge inside an organisation are collectively referred to as **"knowledge management."**

Benefits of Knowledge Management

- Making knowledge accessible in order to support the development of products and services that are more innovative

- Shorter development cycles

- Managing creative endeavours and educational growth

- Getting the most out of the experience and knowledge of staff members.

- Facilitating employees' access to pertinent concepts that are necessary for them to perform their jobs in a satisfactory manner

- Problem Solving

- Management of both physical assets and intellectual property

There is a **model of KM** that has been formally specified, and it consists of four different parts. These aspects are referred to as **socialisation, combination, externalisation, and internalisation, respectively. This paradigm, which comes under the heading of the SECI Model for Knowledge Management, was established by Nonaka and Takeuchi**

Learning Management Systems and the SECI Model

Socialisation

- True knowledge management requires that there be a constant flow of information and knowledge amongst employees, and this flow should not be restricted in any way.

- The utilisation of chat rooms and the opportunity for employees to communicate with one another while they are studying are two features that are made possible,by learning management systems (LMS).

Externalisation

- One approach is to connect the material covered in online learning courses to events that are taking place in actual workplaces.

- For instance, workers can participate in training and then be directly asked to apply what they've learned to their jobs outside of the context of a virtual learning environment.

- Testing the employees' expertise is yet another method for integrating externalisation into the process. Then, based on how well individuals do their jobs, externalisation can be utilised as a method to develop new forms of training and learning.

Combination

- The combination component of the knowledge management theory has many potential applications in the world of business. One approach to achieving this goal is to make use, in the process of regularly updating and streamlining training, of both the feedback of employees and the input of subject matter experts.

Internalisation

- The ultimate purpose of utilising a learning management system is for employees to internalise the information that they have gained. They should be taught

essential skills in a manner that enables them to immediately put those skills to use in their work.

Performance Appraisal

- The phrase "performance appraisal" refers to the **periodic examination of an employee's contribution to a company in terms of both job performance and overall contribution.**

- An employee's abilities, achievements, and growth—or lack thereof, depending on the results—are analysed during a performance assessment, which is also known as annual review, performance review or evaluation, or employee appraisal.

- Performance reviews are used by businesses to provide employees with comprehensive feedback on their work, as well as to justify salary raises and incentives, as well as choices regarding employment termination.

Types of Performance Appraisals

- **Self-evaluation** is when individual employees evaluate their own behaviour and performance on the job.
- **Peer assessment** is a rating of an individual's performance given by their workgroup or other co-workers.
- **360-degree feedback assessment** incorporates comments from the participant, as well as those of their supervisor and peers.
- **Negotiated appraisal** is a more recent trend that involves a mediator and aims to minimise the adversarial aspect of performance reviews by allowing the subject to present first. This is done to moderate the impact of performance evaluations on employees. Also places an emphasis on the positive aspects of the individual before offering any constructive criticism.

Methods of Performance Appraisal

Broadly, all methods of appraisals can be divided into two different categories.

- **Past-Oriented Methods**
- **Future-Oriented Methods**

Past – Oriented Methods

a)Rating Scales: Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude, etc. Each scale ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived.

Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.

Disadvantages – Rater's biases.

b)Trait Analysis: Under this method, checklist of statements of traits of employee in the form of **Yes or No based questions is prepared**. Here the rater only does the reporting or checking and HR department does the actual evaluation.

Advantages – economy, ease of administration, limited training required, standardization.

Disadvantages – Raters biases, use of improper weights by HR, does not allow rater to give relative ratings.

c)Forced Choice Method: The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment.

Advantages – Absence of personal biases because of forced choice.

Disadvantages – Statements may be wrongly framed.

d)Forced Distribution Method: Here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Assumption of normal distribution, unrealistic, errors of central tendency may occur.

e)Critical Incidents Method: The approach is focused on certain critical behaviours of employees that makes all the difference in the performance. Supervisors as and when they occur record such incidents.

Advantages – Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces recent biases, chances of subordinate improvement are high.

Disadvantages – Negative incidents can be prioritized, forgetting the positive ones, overly close supervision.

f)Confidential Records: Mostly used by government departments, and in older organisations where the concept of self-assessment is not encouraged.

Here the report is given in the form of Annual Confidential Report (ACR) and may record ratings with respect to following items; attendance, self-expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness, etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry.

g)Pen portrait: The assessor pictures in writing about the assessee, regarding his qualities and performance as well as his potential. Armies use this method in evaluating cadets.

Future-Oriented Methods

a)Management by Objectives: A concept popular till recently and introduced by the management Guru, **Peter Drucker**, where performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- Establish goals and desired outcomes for each subordinate in a conference between the management and the concerned subordinate.

- Set performance standards.

- Assess performance achieved against goals set for the employee through frequent performance review meetings

- Identify reasons for shortfall and give feed-back for improvement.

- Establish new goals and new strategies for the coming year.

b)Assessment Centre Approach Method:

- Under this method, many evaluators join together to judge employee performance in several situations with the use of a variety of criteria. It is used mostly to help select employees for the first level supervisory positions

- The use of situational exercises (such as an in-basket exercise, management games, role-playing, critical incident and leaderless group discussion, etc.),

- Evaluators are drawn from experienced managers with proven ability at different levels of management

- They evaluate all employees, both individually and collectively and each candidate is given one of the four categories: more than acceptable, less than acceptable and unacceptable,

- A summary report is prepared by the members and a feedback on a face-to-face basis is administered to all the candidates who ask for it.

e)Behaviourally Anchored Rating Scales (BARS)

- A BARS is a tool for evaluating employees in a defined set of performance dimensions by comparing their behaviors with specific behavior examples that anchor each performance level, usually on a five-, seven- or nine-point scale.

- **Generate Critical Incidents:** Persons with knowledge of the job to be appraised are asked to describe specific illustrations (critical incidents) of effective and ineffective performance behaviour.

- **Develop Performance Dimensions:** The people then divide the incidents into smaller set (say 5 or 10) of performance dimensions. Each cluster is then defined clearly.

- **Reallocate Incidents:** These critical incidents are then reallocated to any group of people who also know the job. They are given the cluster's definitions and asked to redesign each incident to the dimension it best describes. Typically, a critical incident is retained if some percentage (generally 50 to 70%) of this group assigns it to the same cluster as the previous group did.

- **Scale of Incidents:** This second group is generally asked to rate on a given scale, the behaviour described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension

- **Develop Final Instrument:** A subset of incidents (usually 6 or 7 per cluster) are used as 'Behaviour anchors' for the performance dimensions.

- The BARS technique has advantages like – More accurate judgment, establishes clear standards, provide good feedback to the people being appraised, make the dimensions more independent of each other and it provides independence to the rater.

f)Key Result Areas (KRAs): KRAs refer to general areas of outcomes or outputs for which the department's role is responsible. The Individual Performance and Development Plan has two component parts, the Performance Plan and its related Individual Development Plan.

The Performance Plan is constructed by the manager and employee together, focusing on priority-setting for the performance management cycle and, working co-operatively through a four-step process:

- Agreeing upon Key Results Areas
- Agreeing upon Performance Objectives
- Agreeing upon Key Performance Indicators and their associated Performance Targets
- Agreeing upon Action Plans

Human Resource Development

- The purpose of human resource development is to enhance the efficiency of individuals, groups, and organisations through the coordinated implementation of various training, organisation, and career advancement initiatives.

- HRD, helps people become more capable. The workforce receives new skills, knowledge, and attitudes as a result of HRD's efforts.

- People are able to become more engaged to their jobs when an adequate HRD programme is implemented. It is necessary to have a reliable performance appraisal system in order to evaluate individuals according to their level of achievement.

- With the assistance of HRD, a culture of trust and respect can be established in a given setting.

- With the assistance of HRD, an accepting attitude toward change can be developed. The employees discovered that they had improved capabilities in terms of being able to solve problems.

- It contributes to the overall improvement of the employees' progress. The organisation's sense of teamwork is also boosted by HRD's efforts.

- it assists in the development of a "efficiency culture" within the firm. It results in an increase in the efficiency of the organisation.

- It encourages greater participation from staff members. When they do a good job, workers have a sense of pride and a sense of having accomplished something.

- It also helps to collect data on employee programmes and policies that is helpful and objective, which further facilitates better planning for human.

Types of Human Resource Development

HRD can take many forms, such as on-the-job training or work shadowing, classroom education or education obtained online, opportunities for professional development and growth, and training to ensure compliance with laws and regulations.

- Learning the facets of a work while actually performing the tasks associated with that employment is what is meant by **"on-the-job training."**
- Another related method is **"work shadowing"**, in which an employee watches another employee perform the duties of their job in order to acquire the necessary abilities.
- Another type of growth is intellectual or professional growth, which can take the form of attending classes at a university or certification programmes, as well as job-specific trainings and seminars that focus on how to perform one's job more effectively

Managing Diversity

- The workforce is becoming increasingly diverse in terms of generations represented. The workforce is growing increasingly diverse in terms of age, with members of generations ranging from the seasoned Baby Boomers who have years of expertise to the fresh-faced Generation Z members who are always connected.

Advantages of generation diversity:

- **Problem-solving:** Having a multigenerational workforce can be quite advantageous when it comes to identifying potential solutions and new methods of handling day-to-day concerns. This is due to the fact that each generation has a different approach to problem-solving.
- **Understanding diverse audiences:** Employing people that belong to each of these generations allows you to gain a deeper understanding of the various demographic groups that you are aiming to communicate with.
- **Occasions for educational growth:** Employees of different generations might teach one another new ways of thinking about things and ways of conducting business that are more effective.
- **Mentorship:** An atmosphere with employees of varying ages is ideal for fostering mentoring relationships. Many businesses make the decision to launch a mentorship programme in order to give their staff members the chance to learn from one another.

Healthy Industrial Relations

- The term "**industrial relations**" refers to the interaction that exists between workers and management, which can either directly or indirectly be traced back to the relationship between unions and employers.

- Industrial progress is impossible without cooperation of labours and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labour) and employers (management).

- The management and the trade union both need to approach the building of good industrial relations with a positive attitude if they want to see it succeed. Healthy industrial relations require a number of important characteristics to be present, including mutual respect, understanding, goodwill, and acknowledgement of dignity.

Management of Change

Management of change involves managing the interaction between the people who are leading the change effort and those who are expected to implement the new strategies. It also involves managing the organisational context in which changes can take place and managing the emotional bonds that are essential for any transition.

The following points and strategies can help for better management of change within a workplace

Gaining an Understanding of the Change Process:

The following are the events that take place throughout each phase:

- **Preparation:** It is the responsibility of the change manager to get both the organisation and its workers ready for the transition.
- **Implementation:** It is the responsibility of the change manager to ensure that changes are carried out in a manner that is consistent with the long-term goals of the organisation.
- **Follow-through:** It is the responsibility of the change manager to make certain that the change is sustainable and that it is incorporated into the culture and practices of the organisation.

Acquiring an Awareness of the Drivers of Change:

In order for managers to successfully manage change, they must first understand why it is required. If you don't do this, it will be impossible for you to design a strategy that addresses fundamental issues and pressing challenges like the following:

- Which pressures are driving the shift that is occurring
- Are these pressures from within, such as the introduction of new leadership?
- Are these pressures from the outside world, such as the creation of new technology, a shift in your business, or the appearance of a new competitor?

Formulating a Strategy:

- Once you have an understanding of the reason for the shift, the next step is to devise a plan.
- This plan should include a high-level overview of the reasons for change, describe the scope of the project, identify the main stakeholders, organise a team, and present a thorough roadmap of the tasks that will be required to finish the project.

Clarity of Communication:

- In the end, you will need to be competent of explaining change to two audiences that couldn't be more different from one another. The first category includes all of your staff members and other members of your team.
- These personnel need to understand not just why the change is necessary but also how their job responsibilities will be affected by the change.

Be Ready to Overcome Obstacles:

- No matter how well prepared you are for the possibility of change, there is no guarantee that everything will go according to plan. You must ensure that you are prepared for a variety of possible outcomes.

Formulating Career Strategy

The following is a rundown of the seven steps that make up the construction of the career strategy:

- **A career development plan (CDP) is a list of long and short-term goals that employees set for themselves** in either their current role or pre-emptively for their future job. The first step is to do an in-depth analysis of your values, strengths, and motivators
- The second step is to be aware of your advantages.
- Conduct research into the many possibilities and make the most of the opportunities.
- Developing Expertise.
- Developing a network.
- Considering and evaluating your alternatives.
- Taking an action.

Stress Management

- The term "stress management" refers to a wide range of treatments and psychotherapies that are aimed at regulating the degree of stress experienced by a person, particularly the level of chronic stress, typically with the intention and the goal of enhancing day-to-day functioning.

- The levels of stress can be easily measured by utilising a variety of physiological tests that are quite similar to those that are used in polygraph examinations.

- There are many different models of stress management, and each of these models offers a unique explanation of the mechanisms that can be used to

control stress. A significant amount of additional research is required in order to gain a better understanding of which mechanisms truly operate and are efficient in practice.

CAIIB Paper 3 (ABFM) Module A Unit 5: Directing

Directing

Directing is an important function as people, working in the organisation, are guided, motivated, counselled, supervised, and led towards the achievement of organisation's goals through the practice of directing.

Characteristics

- **The initiator of action:** In order to fulfil their responsibilities inside the organisation, managers are responsible for functions such as planning, staffing, organising, and controlling, in addition to guiding. While other verbs prepare the ground for action, "directing" actually gets things moving.
- **All-encompassing function:** Direction is present at every level of an organisation when there is a hierarchy of superiors and subordinates. This means that guidance is always present. Every manager is responsible for supplying his staff with direction and inspiration.
- **Constantly occurring activity:** It is considered a continuous function since it continues even after new managers or employees have been hired or removed from their positions within the firm.
- **Descending order of hierarchical structure:** The process of guiding flows down from higher levels of management to lower levels of management. Every manager is responsible for performing this role for his or her own immediate subordinate.
- **The human factor:** Directing is a crucial role since it ensures that the work is completed by the employees, and contributes to the expansion of the firm.

Elements of Directing

Leadership

- The term "leadership" refers to both a set of behaviours and a set of attributes that can be acquired through training and development respectively. Leadership is the process of inspiring other people to work toward a common goal and organising their resources to make that objective a reality.

Importance of Leadership

- **Begins or starts the action:** The responsibility of instruction is the activity that determines where each subordinate's workday actually begins. It is from this role that action is taken, and subordinates comprehend their work and perform it in accordance with the instructions that have been provided.
- **Co-ordinates efforts:** Directing subordinates at work enables supervisors to advise, motivate, and instruct them to do their assigned tasks. Only by following the instructions will each department's efforts be able to be linked and linked to the efforts of the other departments. The integration of efforts is going to bring about efficiency and uniformity in the way that concerns are handled.
- **Provides motivation:** Having a sense of direction is beneficial to the achievement of one's goals. The purpose of a manager is to improve the performance of their subordinates by providing incentives or compensation, whether this would be monetary or non-monetary, and this can act as a morale booster for their subordinates as well as help in development.
- **Helps maintain equilibrium:** Stability and balance, which become highly crucial for the long-term sustainability of demand may be brought about by the management with the assistance of **four instruments or elements of direction function:**
  - ✓ A strategic combination of compelling leadership qualities
  - ✓ Communication that is clear and concise
  - ✓ Strict oversight
  - ✓ Efficient and effective motivation.
- **Adapts to changing circumstances:** The ability to adapt lets a company withstand the planned growth and become the market leader despite the constantly shifting environment. That is the directing function that is utilised in order to accomplish the changes that are produced in the environment, both inside and outside.
- **Makes effective use of available resources:** The only way that resources may be used effectively is if there is a minimal amount of waste, duplication of efforts, overlap of performance, etc. When a manager uses his talents in supervision, guiding, directing, and motivation in order to motivate subordinates, the function of subordinates becomes clearer as a result.

Leadership Roles And Responsibilities

- **Direction at all levels:** It is critical to secure cooperation in the process of formulating plans and policies. It is necessary for the understanding and execution of plans and programmes developed by the top management at the intermediate and lower levels of the organisation.

- **Representative of the Organisation:** The leader or manager of the business is the enterprise's representative and is responsible for doing things like representing the concern at meetings, conferences, and other events.
- **Helping Integration and Reconciliation of Personal Goals with Business Goals:** The goal of a leader is to direct the activities of their followers toward the achievement of shared goals, and they do this by coordinating those efforts.
- **Garners support:** A leader is someone who manages others and, in addition to that, he is someone who encourages the support and collaboration of subordinates and entertains them.
- **Acts as Friend, Philosopher and Guide:** A good leader should have these three characteristics. He can also be a friend to his subordinates by being open and honest about his emotions, ideas, and desires with them. He can play the role of a philosopher by drawing on his intellect and life experiences to provide direction to the employees in times of crisis. Sometimes, he will also play the part of a counsellor, both from the perspective of providing therapy and of finding solutions to problems.

Leadership Qualities

- Outward Look
- Vision and foresight
- Intelligence
- Capabilities in Communication
- Objective approach free from bias
- Knowledge of work
- Sense of responsibility
- Self-confidence and the ability to exert one's will
- Humanist

Leadership Models

Authoritarian Leadership

- An authoritarian leadership style is described as being as leaders behavior that asserts absolute authority and control over subordinates and demands unquestionable obedience from subordinate.

- Creativity would suffer as a result of limited input from the team if this method is implemented, despite the fact that it is effective in a short period of time.

- Leadership methods based on authoritarianism are utilised whenever the members of a team require guidance.

Advantages of the authoritarian leadership style

- ✓ It is possible to cut down on the amount of time needed to reach an important conclusion.
- ✓ It is possible to clear the command chain and punctuate.

- ✓ The amount of repetition that occurs during the execution of the plans can be reduced.
- ✓ Implementing an authoritarian paradigm of leadership lead to the production of consistent results.

Disadvantages of the authoritarian leadership style

- ✓ Management style that is overly authoritarian might provoke discontent among workers.
- ✓ By utilising this paradigm, you run the risk of stifling the originality and innovation of your workforce.
- ✓ It is detrimental to the coordination and cooperation of the group.
- ✓ The amount of input from the group stands severely cut back.
- ✓ The utilisation of this model significantly contributes to an increase in the employee turnover rate.

Participative Leadership

- • It is a style of leadership in which all members of the organization work together to make decisions. Participative leadership is also known as democratic leadership

Advantages of the participative leadership style:

- ✓ The inspiration of workers and the gratification they got from their jobs rose.
- ✓ It allows for a more efficient utilisation of the employees' creative potential.
- ✓ It assists in the development of powerful teams.
- ✓ It is possible to achieve high levels of productivity.

Disadvantages of the participative leadership style:

- ✓ The process of making decisions takes some time.
- ✓ Leaders are more inclined to apologise to their employees than employees themselves.
- ✓ There would on occasion be problems with communication.
- ✓ Because of the openness with which information is shared, potential security problems may emerge.
- ✓ If staff lack the necessary skills, poor decisions may be made.

Delegative Leadership

- • The delegative leadership style, also known as the **'laissez-faire'** leadership style, is an approach that gives subordinates the power to make most of the decisions regarding their day-to-day activities.

- • This strategy has the potential to be successful provided the members of the team are knowledgeable, willing to accept responsibility, and like the opportunity to work on their own.

Advantages of the delegative leadership style:

✓ Employees with more experience are eligible for perks that are determined by their level of experience and credentials.
✓ The originality of the concepts and the inventiveness are very much appreciated.
✓ A productive working atmosphere that is the result of leadership that emphasizes delegation.

Disadvantages of the delegative leadership style

✓ There is a lack of clarity regarding command accountability.
✓ The representative leadership struggled to adjust to the changes that were occurring.

Transactional Leadership

• Transactional leadership, also known as managerial leadership, is a leadership style where leaders rely on rewards and punishments to achieve optimal job performance from their subordinates.

• Transactions between a leader and his followers, including incentives, admonition, and other commutations, are utilised by the transactional leadership model to accomplish the goal of getting the work done.

• The leader makes sure that everyone is aware of the objectives, and everyone on the team is aware of how they will be rewarded for meeting the requirements. This type of giving and taking is more concerned with adhering to existing routines and procedures in an accomplished manner.

Advantages of the Transactional leadership style:

✓ Time-bound, measurable, and detailed objectives that are within the employees' reach, which have been developed by the leaders.
✓ Enhanced levels of motivation and output from staff members.
✓ It can oust chaos in the chain of command or at least bring it to a manageable level.
✓ The utilisation of this model results in the production of a system that is simple for managers to put into action and straightforward for workers to adhere to.
✓ Employees have the ability to choose their own reward system.

Disadvantages of the Transactional leadership style:

✓ There is a possibility of inhibiting inventiveness and creativeness.
✓ Having empathy does not add any value.
✓ It fosters the development of more followers than leaders among the workforce.

Transformational Leadership

• It is a management philosophy that encourages and inspires employees to innovate and develop new ways to grow and improve the path to a company's future success. It's a management style that's designed to give employees more room to be creative, look to the future, and find new solutions to old problems.

- the leader inspires his or her followers by providing them with a clear vision, and then the leader encourages and empowers the followers to work toward achieving the goal. The leader is also responsible for serving as an example of the vision.

Advantages of the Transformational leadership style

- ✓ A decrease in the number of employees who leave their jobs as a result of utilising this methodology.
- ✓ A strong emphasis by the transformational leadership on the importance of the business vision.
- ✓ When utilising this technique, you will see that your employees have a good morale.
- ✓ It uses several methods of motivation and inspiration in order to gain the support of the personnel.
- ✓ This style to leadership is not one of compulsiveness.
- ✓ The transformational leadership style places a high priority on the interaction between parties.

Disadvantages of the Transformational leadership style

- ✓ It is possible for leaders to lie to their employees.
- ✓ It's possible that you'll need continuous encouragement and continuous feedback.
- ✓ The work cannot move further until the staff give their approval.
- ✓ It has the potential to sometimes lead to a divergence of protocols and principles.

Motivation

The word "motivation" is derived from the Latin word "motive," which can be translated as **"necessity," "incline," or "drive"** within a person. People are motivated to take action so that the goal can be achieved. It is possible that psychological factors are what drives people's behaviour during the course of the task they are trying to accomplish.

Types of Motivation

- **Extrinsic Motivation (Motivation Derived from Outside Sources):** The motivation that originates from factors external to the individual and typically results in positive outcomes such as praise, trophies, financial gain, or social recognition. Social psychological research has indicated that extrinsic rewards can lead to over justification and a subsequent reduction in intrinsic motivation.
- **Intrinsic Motivation (Motivation That Comes From Within):** The motivation that arises from within an individual, such as the desire to solve a difficult puzzle for the purpose of attaining the personal satisfaction that comes from doing so.

Impact of Motivation

The following are the three primary components of motivation:

- **Conformational Changes:** This is when the choice is made to carry out a behaviour.
- **Perseverance:** It is a persistent effort in the direction of a goal, in spite of the presence of obstacles.
- **Intensity:** Intensity is a visible manifestation of the dedication and enthusiasm with which one pursues a goal.

Theories Of Motivation

Alderfer's ERG Theory of Motivation

- The ERG model was **established by Clayton Alderfer, who took Maslow's Hierarchy of Needs and turned it into a three-factor model** of what motivates people. Existence, relatedness, and development are the three distinct types of needs that are represented by the letters E, R, and G . **The three demands listed above are what drive every single human being.**

- **Existence**, which essentially refers to both a person's physical and mental well-being, is the most tangible and motivating of Alderfer's three requirements, and it is also the need that comes first.

- The need for **Relatedness**, a sense of community, and a healthy relationship with oneself are the next levels of importance.

- The need for **Growth**, which essentially refers to self-development, fulfilment, and the feeling of realising your potential, is the one of the wants in the ERG model that is the least tangible, but it is still very important.

Herzberg's Theory of Motivation

The two factors known as the **"Hygiene factor" and the "Motivating factor"** have an impact on one's level of motivation in the workplace. If the hygiene factors are not present, the employee will put in less effort into their work. When present, motivation factors will inspire an employee to put forth their best effort in their work.

- **Motivational Factors:** (a sense of accomplishment, challenging work, recognition, responsibility, promotion, growth) which give positive satisfaction.
- **Hygiene factors**: (company policies, supervision, relationships, working conditions, compensation policies, status, job security, salary and fringe benefits) that do not motivate if present, but, if absent, result in demotivation.

McClelland's Needs Theory of Motivation

McClelland held the belief that an individual's unique needs are developed over the course of their lifetime and are shaped by the various experiences they have throughout their lives. McClelland's Needs Theory is also referred to as the **Three Need theory and the Learned Needs Theory** from time to time. **McClelland has recognised three fundamentally important wants that motivate people:**

- **Need for Power:** The capacity to inspire or influence the behaviour of other people is the essence of power. People who have a strong desire for power often

pursue leadership roles inside an organization. They tend to be vocal, assertive, demanding, practical and realistic rather than sentimental.

- **Need for Affiliation:** People who have a strong need for affiliation gain pleasure from being loved by everyone and have a tendency to avoid the anguish of being rejected.
- **Need for Achievement:** is the urge to excel, to accomplish in relation to a set of standards, to struggle to achieve success.
  - ✓ The individuals with high achievement needs are highly motivated by competing and challenging work. They look for promotional opportunities in job. They have a strong urge for feedback on their achievement.
  - ✓ Such individuals try to get satisfaction in performing things better. High achievement is directly related to high performance.
  - ✓ Such individuals look for innovative ways of performing job. They perceive achievement of goals as a reward, and value it more than a financial reward

Porter and Lawler's Motivation

- The Porter and Lawler theory of motivation is predicated on the supposition that **receiving rewards can lead to a sense of fulfilment, and that sometimes performing well can result in receiving rewards.** They have a hypothesis that the **correlation between performance and satisfaction is due to another variable that is rewarded in some way.**

- Porter and Lawler contend that performance is not necessarily a direct result of being satisfied. Instead, the opposite is true because once people have achieved their goals of satisfaction, they are more likely to become complacent. On the other hand, performance can result in a feeling of satisfaction if there is effective reward system.

Equity Theory

- John S. Adams, a behavioural psychologist, was the first person to develop equity theory in the early 1960s. The core of the equity theory is the principle of balance or equity. As per this motivation theory, an individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management.

- Higher is individual's perception of fairness, greater is the motivation level and vice versa. While evaluating fairness, employee compares the job input (in terms of contribution) to outcome (in terms of compensation) and also compares the same with that of another peer of equal cadre/category.

Vroom's Expectancy Theory of Motivation

- The expectation theory of motivation, developed by Victor Vroom, states that an individual's expectations about the future have an effect on the individual's level of motivation.

- According to Vroom, the specific factors that determine an individual's level of motivation are the **degree to which they place a high value on any reward**

that is associated with a particular action (known as "Value"), the degree to which they believe that they will be able to achieve positive results as a direct result of the effort that they put into something (known as "Expectancy"), and the degree to which they believe that achieving positive results will result in a reward (known as "Belief (Instrumentality).** A lack of motivation may be present if any one of these variables is absent.

Self Determination Theory

- **The work of psychologists Edward Deci and Richard Ryan was the foundation for the development of self determination theory.** They came up with a theory about **what motivates people, and it suggested that people are driven by a desire to improve themselves and find satisfaction in their lives.**

- Self-determination is a belief that each person possesses the capacity to choose their own path in life and take responsibility for managing their own affairs. This quality is very important in terms of a person's psychological health and well-being. People have the experience of regaining control over their lives and the choices they make when they practise self-determination.

Communication

Communication refers, in its most fundamental sense, to the act of conveying meaning from one individual to another by using a shared set of symbols.

Communication Models

Linear Model

- **Linear communication is one-way communication where a sender or speaker transmits a message to a receiver who reads or listens to the message but doesn't respond.**

- **Larold Lasswell, a sociologist and psychologist, created this linear communication model in 1948**. The model asks five basic questions: who, what, which channel, to whom, and to which effect? This model allows you to define any piece of communication easily.

The model, as it was first conceived, was made up of five components, all of which were arranged in a sequential fashion:

- ✓ The origin of the information
- ✓ Its transmission
- ✓ The transmission channel
- ✓ The receiver; and
- ✓ The destination

Dynamic Model:

- Other models of communication processes have been developed in order to cater to the requirements of students of communication whose interests differ from

those of quantitatively oriented theorists such as Shannon, Weaver, and Wiener. This was done in order to meet the requirements of students of communication. **The art of dynamic communication is one that is always developing, and it consists of the capabilities of interacting consciously and responding thoughtfully to others.**

Levels of Communication

- Communication Not Directed Toward Me
- Communication Between Individuals
- Intrapersonal Communication:
- Organisational Communication
- Mass Communication

Communication In Organisation

Organisational communication is a broad field that includes all forms of communication that allow businesses, government agencies, and non-profit organisations to function, grow, connect with stakeholders, and contribute to society. It allows us the following:-

- Performing duties that are connected to particular functions and responsibilities within the realms of sales, services, and production.
- Responding to new circumstances with innovative approaches at both the individual and organisational level.
- Carry out responsibilities by upholding policies, procedures, or regulations that support day-to-day and ongoing operations.
- Cultivate relationships in which "human messages are directed at people within the organization.
- Management's role in coordinating, planning, and controlling how operations are carried out within the organization

Supervision

According to Vitiates – "Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their task."

George R. Terry and Stephen G. Franklin have defined supervision as "Supervision is guiding and directing efforts of employees and other resources to accomplish stated work outputs."

Supervision is the process of interaction, guidance and control of subordinates by meeting them regularly about the performance of their work. It is intended at ensuring that the subordinates work according to the plans and policies of the organization. *A supervisor plays two important roles:*

- **Supervisor communicates the plans, policies, decisions and strategies of management to the subordinates.**

- If there are complaints, grievances and suggestions of the subordinates, he communicates the same to the management. Thus, **the supervisor plays the role of link between the subordinates and the management.**
- **A supervisor also acts as a guide to the subordinates**. He helps them in their professional development by enhancing their knowledge and skills relating to their assigned jobs. He also acts as a motivator and mentor for the subordinates.

CAIIB Paper 3 (ABFM) Module A Unit 6: Controlling

Controlling

- Within an organisation, **"Controlling Process"** refers to a method that can be implemented to check whether or not certain criteria are being met. It entails gathering information about a system, process, person, or group of people in a thoughtful manner, in order to arrive at decisions that are necessary regarding each of these entities.

- The controlling function **determines the degree to which actual performance varies from predetermined benchmarks**. It investigates the factors that led to such deviations and makes an effort to make adjustments in accordance with those findings.

Characteristics Of Controlling

- Controlling is beneficial to the accomplishment of organisational goals.
- The procedure makes the most efficient use of the available resources.
- Controlling judges ensuring the correct application of the standard.
- Discipline and order are also established as a result of the process.
- The process of controlling the employees motivates the employees and boosts employee morale, which, in turn, leads to increased effort and labour from the employees within the organisation.
- Controlling ensures accurate planning for the future by reevaluating the previously established standards.
- The results of an organisation as a whole will improve as a result of control.
- The exercise of control reduces the number of errors that occur.

Advantages Of Controlling

- Assists in accomplishing Organisational Goals
- Helps in minimising errors
- Making Efficient and effective use of resources
- Validates accuracy of standards
- Improves order and disciple and motivates staff
- Results in better coordination within the organization
- Simplifies supervision and helps in delegation and decentralization
- Provides feedback for data improvement for future planning.

Limitations Of Controlling

- It may be costly to implement, especially in smaller firms.
- It is difficult to compare the actual performance with the accepted standards, specially in case of standards not expressed in quantitative terms.
- There is little or no control on external factors like government policies, changes in consumer behaviour, technological changes, competition, etc.
- There may be resistance from employees as they may consider it as restricting their freedom.
- Over-dependence on controls may lead to laxity in supervision.
- The operations of the organisation may slow down if the rules are implemented rigidly.
- The organisation may be exposed more errors and frauds if wrong controls are executed.

Types Of Control Management

Broadly, the control management can be of 3 types, based on the timing of the control:

- **Feedback control:** These controls are based on the feedback received after the activity has taken place. So, the corrective action can be taken only for carrying out similar activity in future.
- **Proactive control:** These are future-directed controls which anticipate problems well in advance and the corrective action is taken accordingly.
- **Concurrent control:** These controls are based on the real-time engagement of the controller as the activity is being carried out. So, the corrective action can be taken simultaneously with carrying out the activity, to take care of any deficiencies observed.

Basic Elements and Steps of the Control Process

The process of establishing goals and standards:

- Although the process of establishing goals and standards is part of the planning process, it also plays a significant part in the controlling process. This is due to the fact that the primary objective of control is to steer the activities of a company in the direction of those goals.

- It is very important for managers to communicate their organization's goals, standards, and objectives as clearly as possible.

- In this regard, there should never be any room for employees' interpretations to vary. Managers are required to set goals and take action based on those goals, and those goals can either be tangible and specific or intangible and abstract.

Comparing the actual performance to the predetermined goals and criteria:

- Once managers have a clear understanding of their objectives, they should measure and evaluate their actual performance before making comparisons. This step basically helps them know if their plans are working as intended.

- Once a plan has been put into action, managers are required to continuously monitor and assess its effectiveness. If things are not functioning as they should, then they should always be prepared to take the necessary corrective actions. In order to accomplish this, they must continually assess their current performance in relation to the goals they have set for themselves.

- First, managers need to measure actual performance before they can compare it to past performance. They can do this by measuring results in a monetary context, seeking feedback from customers, and so on.

Taking steps to make necessary corrections:

- Managers are obligated to take immediate corrective action whenever there are gaps between actual performance and the goals that they have set for their teams. When taken promptly, corrective action can not only mitigate the existing damage but also prevent it from occurring again in the future.

Continuing to monitor the effects of corrective actions:

- It is not enough for managers to simply implement corrective measures; they must also bring these measures to their inevitable and logical conclusion. Even this step requires thorough evaluation and comparison. Managers have an obligation to work on finding a solution to the problem until they do.

Relation Between Planning And Control

The processes of planning and controlling are inextricably linked to one another. The objectives of the organisation are determined through the planning process, and the controlling process ensures that they are met. **The relationship between planning and control may be explained as under:**

- **The Planning Stage is the Originator of Control:** During the planning phase, objectives and targets are established. A control process is required in order to successfully meet these objectives. Therefore, planning comes before controlling.
- **Controls help Planning Sustain for Long-Term:** The path that planning takes can be influenced by controlling. The act of controlling draws attention to the parts of the process that require planning**.**
- **The control process supplies information that can be used for planning:** During the controlling process, the actual performance is compared to the standards that were established, and any deviations that are found are recorded. The data gathered for the purpose of exercising control are also utilised in the planning process.
- **Planning and controlling are interconnected in the following ways:** The first function that management is responsible for is planning. In order to enhance the performance going forward, the appropriate corrective actions have been taken. The first step in any process should be planning, and the last step should be control. Both must have the other in order to function properly.
- **Planning and control involve looking into the future:** Both planning and control are concerned with the activities that will take place in the future within

the business. Planning is always done with an eye toward the future, and control also looks ahead. The accomplishment of a company's objectives is the primary focus of both planning and controlling. Through their combined efforts, they hope to achieve the highest possible output at the lowest possible cost.

Control Techniques

Controlling techniques are the tools that are used to establish control over business activities, monitor those activities, and take any necessary corrective actions. **Controlling a business effectively can be accomplished using any number of methods, both traditional and modern.**

The selection of the methods absolutely needs to be done in a strategic manner. When deciding on the approach that will be most effective, the organisation needs to take into consideration:

- The Character of the Company or the type of business
- Specific Clientele or Users to Aim For
- The challenges that the Organizations are currently facing

Traditional Techniques Of Control

Personal Observation

- The manager does this by personally observing the employees or workers at the location of the business. It is also known as **On-the-Spot Observation or Direct Observation.**

- The employees are pressured and motivated to perform at their highest level of productivity when they are directly observed. A significant amount of time is required for supervision when utilising this method.

- Managers acquire genuine and first-hand information for the analysis. In the event that the operations are not performing as expected, the managers have the ability to make adjustments there and then. It allows employees to discuss issues or problems simultaneously. Additionally, it improves the employees' overall sense of well-being and morale.

Break-even Analysis

- This control method illustrates the relationship between cost and volume at varying levels of production output. **The Cost, Volume, and Profit analysis is another name for this approach.** It forecasts the profits and losses that will result from changes in the amount of output that is produced.

- The break-even point refers to the point at which the purchase price and the selling price are equal to one another.

Break Even Point = Fixed Cost / (Price - Variable Cost). Under the Break-Even Analysis technique, the evaluation is based on:

- ✓ Break-even Point

✓ Angle of Incidence
✓ Contribution Margin
✓ Margin of Safety.

Statistical Reports

Information is gathered by the manager so that performance can be evaluated across functional areas. The information that is gathered is then utilised for the purpose of comparison. Involved in this process is the examination of numerical information in the form of:

✓ **Averages**
✓ **Percentages**
✓ **Coefficient of determination**
✓ **Ratios, etc.**

• The aforementioned information is presented by the organisation in the form of charts, graphs, tables, and so on. The data can be more easily visualised with the help of these reports, and the areas that require attention can be located. As a result, it is the method for data analysis that is utilised the most and provides the most benefit.

Budgetary Control:

Comparing and analysing the actual performance with the planned performance is an integral part of the budgeting process. In general, the following are included among the steps in budgeting:

• Establishing criteria by subdividing the overarching goals of the company into those of individual departments.
• A comparison of the actual performance to the budget and standards that were previously defined.
• Determine the logical deviations from the plan and take corrective actions after you have calculated them.

• Having control over one's budget makes it easier to have control over one's day-to-day activities. Consideration must also be given to the amount of resources and labour that will be required to accomplish the goals.

• There is a possibility that the final budget that was formulated will turn out to be inaccurate and costly.

The following is a list of the various types of budgets that are typically prepared by organisations:

✓ Cash Budget
✓ Sales Budget
✓ Production Budget
✓ Capital Budget
✓ Material Budget

Modern Techniques Of Control

Return on Investment:

Calculating the rate of return on investment (ROI) allows us to measure the return that was generated. Using this rate, one can better evaluate the company's current financial situation.

ROI Formula: Return on Investment = Net Income / Total Investment. There are two ways in which we can increase our return on investment:

- By increasing the volume of sales in a manner that is proportionally greater than the overall investment.
- By lowering the total investment while maintaining the same level of sales volume.

It is useful for:

- ✓ Examining the differences and similarities in terms of wealth between the two eras and companies.
- ✓ Finding areas that have a negative impact on return on investment
- ✓ Attracting investors and enhance the company's reputation.
- ✓ Comparison among departments

Financial Statement and Ratio Analysis

Calculating a variety of Ratios is made easier, which in turn contributes to better financial management of the organisation. In order to accomplish this goal, data is compiled from the financial statements of the companies.

The following ratios are used the most frequently:

- ✓ Profitability Ratios
- ✓ Liquidity Ratios
- ✓ Solvency Ratios
- ✓ Turnover Ratios

Responsibility Accounting:

- It is a method of accounting in which the **amount of responsibility placed on the individual employee is taken into consideration**. Therefore, businesses will conduct an assessment to determine whether or not the employee is capable of carrying out the responsibility in accordance with the criteria that have been established.
- This method of command and control works well for large organisations that have a number of different departments.

In general, there are four distinct categories of responsibility centres:

- ✓ Revenue Centre
- ✓ Cost Centre

✓ Profit Centre

✓ Investment Centre

PERT And CPM

- **Project Evaluation and Review Technique (PERT)** is a procedure through which activities of a project are represented in its appropriate sequence and timing. It is a scheduling technique used to schedule, organize and integrate tasks within a project.

- **The critical path method (CPM)** is a technique where you identify tasks that are necessary for project completion and determine scheduling flexibilities. A critical path in project management is the longest sequence of activities that must be finished on time in order for the entire project to be complete.

- It is in the managers' best interest to reduce the total amount of time and money required to complete the activity.

Management Information System

- MIS, is essentially responsible for **providing information that facilitates the making of sound decisions.** Managers are able to retrieve any data whenever it is required. It is one of the techniques for cost-effectively controlling that managers have at their disposal.

- In addition to this, it helps manage a massive quantity of data and delivers information at precisely the right moment. The information that is obtained from MIS is reliable and aids in the process of making decisions.

MIS is comprised of two primary parts:

✓ The Collection of Data
✓ The Management of Data

Management Audit

- It is the process of examining how a company uses its resources. **It is started by the top level of management in order to guarantee that the management will perform effectively.**

- While internal audit may be a continuous affair and periodicity may depend on the size of the organisation, management audit may be conducted at intervals decided by the Board of the Company which may be more than a year, say every two or three years.

- After the conclusion of the financial audit, the next step is the management audit. During the course of the audit, the overall management process will be subjected to close scrutiny.

Control Technique And Information Technology

The objectives of IT control relate to the confidentiality, integrity, and availability of data, as well as the general management of the enterprise's IT function as a whole. The techniques of control are listed below:

Organisational Control Techniques:

- When a company installs significant amounts of hardware and software and also appoints human resources, the company must first establish the co-ordination between the newly installed information system and the newly appointed human resources.

- **Fixing the responsibilities of the manager, senior managers, and every employee in the team who handles information systems** is how this organisational control is implemented.

Management Control Techniques:

- Appointing an expert committee comprising experts from all fields, Everyone will apply their specialised knowledge and experiences to examine the IT system of the organisation and report back if they find any errors or fraudulent activity in it.

Financial Control Techniques:

The following methods can be utilised for various forms of financial control:

- Delegation of financial powers
- Authorization to access the system
- Budgetary Control
- A unique sign indicating the cancellation of these documents
- Dual control over asset and entry
- Input and output verification
- Safekeeping the login passwords for servers and IT systems
- Segregation of Duties

Data Processing Environment Controls Techniques

- The company ought to appoint some specialists for the control of the data processing environment. The environment in which data is processed today is composed of electronic and electrical components. Therefore, a specialised supervisor who checks it at regular intervals is required for it.

Physical Access Controls techniques

- The term "physical access" refers to an unauthorised third party reaching into your database. You need to create security layers so that you can thwart any attempts of gaining unauthorised access in the data centre.

Logical Access Controls Techniques

- The malicious hacking and virus will be used to gain unauthorised access to the logical system. Therefore, you should use malicious hacking and antivirus software to put a stop to it at any cost.

SDLA Controls Techniques

- **SDLA means system development life cycle.** It is also essential that it be controlled. The standardisation of the system development life cycle is one way that this can be accomplished.

BCP Controls Techniques

- **"BCP" refers to the "business continuity process**." Maintaining control of it would be possible if you have a sufficient number of backups and a solid recovery strategy in place in case the system is destroyed.

Application Controls Techniques

- It is necessary to block unauthorised access to the recorded database in every computer-based system so that changes cannot be made and data cannot be removed. The two widely used application systems that an auditor needs to keep an eye on are SAP and Quick-book.

Categories of IT Control

IT General Controls (ITGC)

- Controls over the IT environment, computer operations, access to programmes and data, as well as programme development and programme changes, are all included in ITGC.

- The IT Governance Council serves as the structure's primary pillar. They support the assertion that systems operate as intended and that output is reliable, in addition to helping to ensure the accuracy of the data that is produced by information technology systems.

IT Application Controls

- **Transaction processing controls, also known as "input-processing-output" controls**, are what are meant when someone talks about IT application controls.

- **The controls of an IT application or programme are fully automated,** which means that they are performed automatically by the systems. This is done to ensure that the data are processed correctly and completely from the time they are input until they are output.

- These controls are different for each application because each one serves a unique business purpose. These controls might also be able to assist in protecting the privacy and safety of data that is transferred between applications.

IT Control and the CIO/CISO

- Usually, the **Chief Information Officer (CIO) or the Chief Information Security Officer (CISO)** of an organisation is the one who is accountable for the safety, accuracy, and dependability of the systems that manage and report the company's data, including its financial data.

Internal Control Framework

- The **COBIT Framework, also known as the Control Objectives for Information Technology Framework**, is a framework that has seen widespread adoption and was developed by the IT Governance Institute.

- COBIT is a framework that is widely used that contains best practices for the governance and management of information and technology, and it is directed toward the organisation as a whole.

COSO

- **The Committee of Sponsoring Organizations of the Treadway Commission (COSO)** identifies five components of internal control: a) control environment, b) risk assessment, c) control activities, d) information and communication e) monitoring.

- In order to accomplish the goals of financial reporting and disclosure, it is necessary to have these components in place. COBIT offers comparable and detailed guidance for information technology, while the interrelated Val IT focuses on higher-level IT governance and value-for-money concerns.

The four COBIT major domains are:

- ✓ Planning and organising
- ✓ Acquiring and implementing
- ✓ Delivering and supporting
- ✓ Monitoring and evaluating.

- Join CAIIB Telegram Group

- **For Mock test and Video Course Visit: course.ambitiousbaba.com**

- **Join Free Classes: JAIIBCAIIB BABA**

- Download APP For Study Material: Click Here
- Download More PDF

Click here to get Free Study Materials Just by Fill this form