

# Agribusiness

## Definition of Agri-Business :

“Agri-business is a concept of economics **which includes total sum of all activities involved in the manufacturing and distribution of farm supplies production operations on the farm and the storage processing and distribution of farm commodities and items made from them.**”

- John Davis and Ray Goldberg.

## OR

“Agribusiness is the coordinating science of supplying agricultural production inputs and subsequently producing, processing and distributing food and fiber.” – E. Paul Roy.

## OR

“Agri-Business includes all either a product, a commodities or a services and encompasses items such as 1) productive resources (feed , seed , fertilizers , equipments , energy , machinery etc . 2) Agricultural commodities (all food and fiber). 3) Facilitative services (credit , insurance , marketing , storages , processing , transportation , packing , distribution ).

## Meaning:

Agriculture has evolved into agri-business and has become a vast and complex system that reaches far beyond the farm to include all those who are involved in bringing food and fiber to consumers . Agri-business include not only those that farm the land but also the people and firms that provide the inputs ( for ex. Seed , chemicals , credit etc ), process the output ( for ex. Milk , grain , meat etc ), manufacture the food products ( for ex. Ice cream , bread , breakfast cereals etc.), and transport and sell the food products to consumers ( for ex. Restaurants , super markets).

A business can be defined as an organization that provides goods and services to others who want or need them.

**Agriculture :** Art of cultivating various categories of crops including animal husbandry , finishing and other related activities.

**Business:** An economic unit that aims to sell goods and services to customers at prices that will provide an adequate return to its owner.

**Management :** A set of activities ( planning and decision making , organizations, leading / directing and controlling ) , directed at an organizations resources ( human , financial , physical , information ). With the aim of achieving organizations goals in an efficient and effective manners.

## **History**

### **From Family Farm to Agribusiness :**

In the early 19<sup>th</sup> century , agriculture was a self – contained industry . The typical farms family produced its own food , fuel , shelter , draft animals , feed , tools , implements , and even clothing. Only a few necessities had to be battered for or purchased off the farm . The farm family performed virtually all operations pertaining to the production , processing storage , and distribution of farm commodities . In the ensuing years , however , agriculture evolved from self – sufficiency to irritate interdependence with other segments of the economy , particularly those relating to the manufacture of production supplies and the processing and distribution of food and fiber products.

The agribusiness approach is a method of examination farming problems in a new and more comprehensive setting . One benefit from this approach has been the release of workers – farm manpower – from agriculture for employment in new non-farm occupation – including the armed force during wars. This has resulted in tremendous economic growth and developments and an improved standard of living.

Agribusiness consists of several million farm units and several thousand business units each an independent entity , free to make its own decisions . Agribusiness is the sum total of hundred of trade associations , commodity organizations , farm organizations , quasi-research bodies conference bodies , and committees , each concentrating on its own interests . The U.S government also is a part of agribusiness to the degree that it is involved in research , the regulation of food and fiber operations , and the ownership and trading of farm commodities land –grant colleges , with their teaching , experiments stations , and extension functions , form another sector of agri-business . In summary , agri-business exist in a vast mosaic of decentralize entities , functions and operations relating to food and fiber.

The evolution from agriculture to agri-business has brought with it numerous benefits . These include reduced drudgery for laborers : the release of purpose for non – agricultural endeavors ; a better quality of food of fibrous ; a greater variety of products ; improve nutrition : and increase mobility of people . the release of farm man-power and the creation of new , off – the farm jobs have been the basis for the countries economic growth and development for last 150 years. The key to this growth and development has been increased worker productivity , which in turn spurs creativity new products and wealth . This translates into risk capital , new factories , job and increase consumer purchasing power .

### ***Important Key points in History of Agri business Management***

- **1957**-“A concept of Agri business” book written by John Davis & Ray Goldberg.
- **1966**- University of Philippines Introduced UG level ABM programme
- **1969**- 1<sup>st</sup> Advanced Agribusiness Management seminar was held in MANILA

## Scope

1. Daily requirements of food and fiber products *at Right (place ,form and time )* come from efficient and hard working of many business personnel in input, farm and food production and also in marketing them.

2. Agribusiness is combining the diverse commercial enterprises, using heterogeneous combination of labour, materials, capital and technology.

3) It is a dynamic sector and continuously meets current demands of consumers in domestic and world markets.

4) It *strengthening of infrastructural facilities i.e.* area, expansion of credit, raw materials supply agencies, adoption of modern technology in production and marketing of agricultural products.

5. Agri-business provides crucial *forward and backward linkages*.

6. Agri-business generates potential *employment opportunities*.

7. It adds value to products and thereby increases the net profits.

Agriculture business has got tremendous scope as it covers not only a wide range of activities but also a multifarious magnitude of activities. like

1) **The Resource Supply Sector :**

Many industries can be started in resources supply sector e.g feed industries , financial , institution , fertilizer industries , agriculture chemicals and oiler services.

2) **Product Marketing Sectors :**

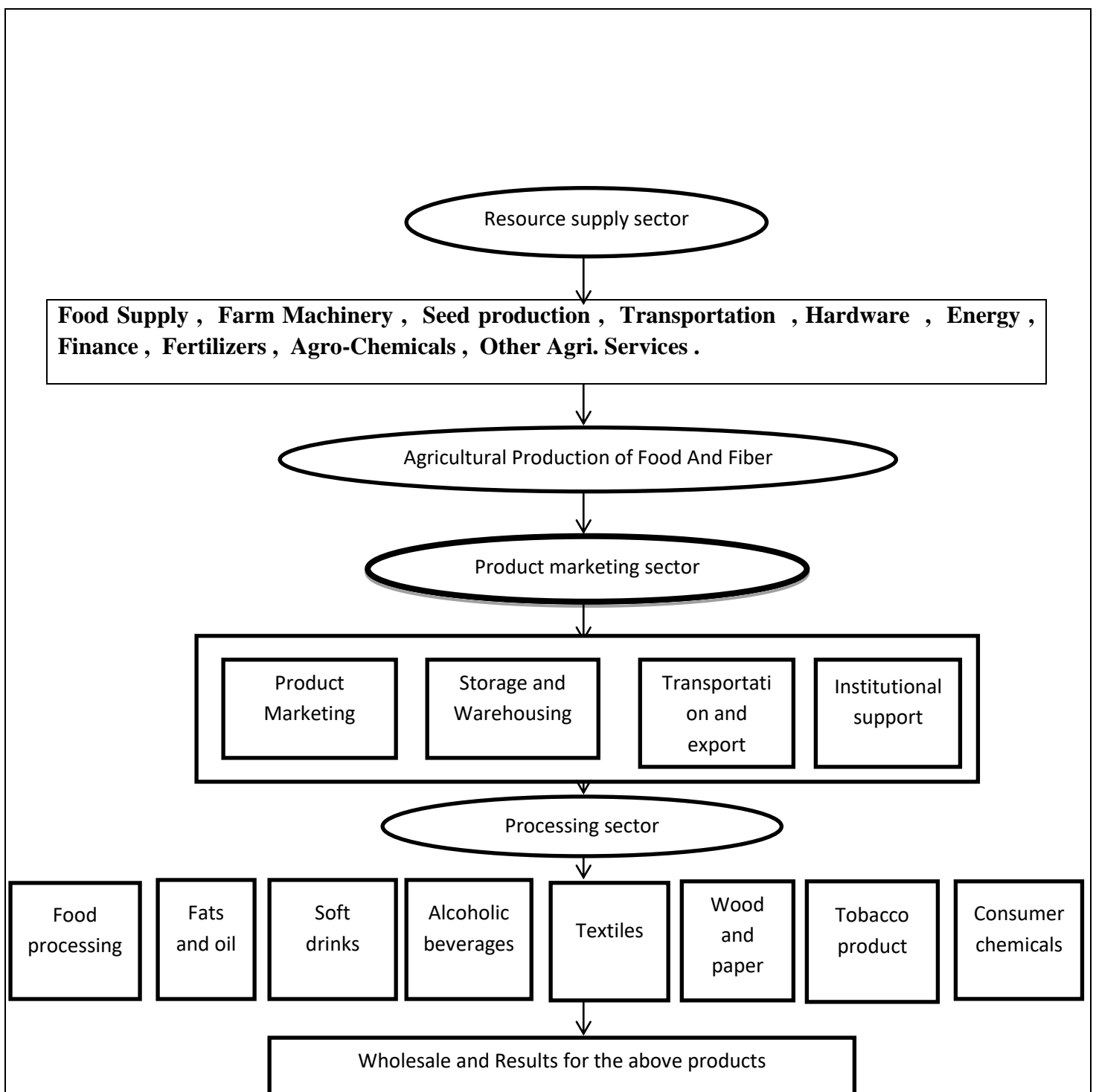
There is a tremendous scope in marketing of agricultural commodities. At out 1/3<sup>rd</sup> of the working population is engaged in the agricultural marketing . This sector consists of market development , storage , warehousing , cold storage , pre-cooling transportation etc .

3) **The Processing Sector:-**

Several food processing industries like sugar factories, dairy Industry, poultry, fruit processing Industries , textiles Industries, wood paper Industries, can be started which can adds the value to the product from 50 % to 300%

4) **The Wholesale and retail sector:-**

The Industries producing food, soaps, paints, leather, textiles etc. are agro based industries. In this original farm of the product is altered prior to its sale to the wholesaler or retailers.



### **Importance of Agribusiness in Indian Economy**

- 1) Agro industries are considered an extended arm of agriculture but in India they have not received as much attention as agriculture . While agriculture contributes about 17% of GDP of India , the value of added by processing industry is only 8 % of total production. In India only 2% of horticulture products are processed and more than only 30% is wasted due to lack of storage & processing facilities.

- 2) The global market is enormous from sugar , cotton , tea & processed foods sauce jelly & honey . The market meat spices and fruits is equally large. Only with mass production aided by modern technology & intensive marketing can the domestic market as well as export market be exported to the fullest extent.
- 3) The size of food market is Rs. 3,50,000crore. An average Indians spends around 53% of income on food . The domestic market for processed foods is not only huge but is growing fast in tandem with the country.
- 4) Agro based industries help in processing agri. Products field crop , tree crops , livestock , fisheries & conversing them to edible & other usable forms.
- 5) The raw materials & commodities product and marketed in India are wide range – paddy , wheat , rice , maize , sugarcane , potato , fruits , coffee , medicinal plants & honey . All these commodities are processed & consumed in huge quantities within the country & also exported . The domestic market for these items is growing at fast pace .
- 6) For Indians women , cooking is the way of life & also a matter of pride , different for urban women & particularly employed women . It is therefore important for food processing industries to create value addition in all processed food products to convenience the majority of women folk.
- 7) Dairy products have enormous potential . Country has made tremendous strides in last 20 years in production & processing of milk produced is processed.
- 8) The focus of value addition in the agri. sector is vital for comprehensive development of rural economy since food processing industry creates jobs demand for agri raw materials leads to diversification & commercialization of agriculture , enhancing the income of farmer's & creating surpluses for export of agro foods. The broad based development of food processing industry will improve both the social & physical infrastructure of rural India.

### **Changing Dimensions of Agri-Business**

- 1) It deals with different components of both agricultural and industrial sector, their interdependence and influence of one sector on other.
- 2) It deals with decision making process of farm either private or government in relation to production and selling aspects ,
- 3) It deals with strengths and weakness of a project and thereby their vitality in competing enterprises.
- 4) Agri-business is always market oriented.
- 5) Structure of Agri-business is generally vertical and it comprises the following :
  - a. Govt. policies and programmes regarding raising of crops or talking enterprises etc.,
  - b. Research and extension programmes of government.
  - c. Farm supplies or inputs
  - d. Agricultural production
  - e. Processing
  - f. Marketing of agricultural products

## **Distinctive features**

**The important distinctive features or the principle characteristics of agribusiness are as follows :**

- 1) Management varies from business to business depending on the kind and type of business . It varies from basic producer to brokers , wholesalers , processors , packagers , manufacturers , storage proprietors , transporters , retailers etc.
- 2) Agri-business is very large and evolved to handle the products through various marketing channels from producers to consumers .
- 3) Management varies with several million of farmers who produce hundreds of food and livestock products.
- 4) There is very large variation in the size of agri-business ; some are very large, while many others are one person or one family organization.
- 5) Most of the Agri-business units are conservative and subsistence in nature and family oriented and deal with business that is run by family members.
- 6) The production of Agri-production is seasonal and depends on farm production . They deal with vagaries of nature
- 7) Agri-busniessis always market oriented .
- 8) They are by far vertically integrated , but some are horizontally integrated and many are conglomerated.
- 9) There is direct impact of government programmes on the production and performance of Agribusiness.

## **Nature and components of Agri Business Management**

Today the business has become very competitive and complex . This is mainly due to changing taste and fashion of the consumers on the one hand , and introduction of substitute and cheaper and better competitive goods , on the other .

The old dictum “ produce and sells has changed overtime into “ produce only what customers want” . In fact, knowing what customers want is never simple .Nevertheless, a farmer operator / farmer manager has to give proper through to this consideration in order to make his business a successful one .

The important requisites for success in a modern business are :

**1). Clean objective :** Determination of objectives is one of the most essential pre requisite for the success of business . The objectives set forth should be realistic and clearly defined .Then , all the business efforts should be geared to achieve the set objectives . In a way, objectives are destination similarly business also must know what objectives .

**2). Planning :**In simple words , planning is a pre-determined line of action . The accomplishment of objectives set, to a great extent , depends upon planning itself. It is said that it does not take time to do thing but it takes time to decide what and how to do. Planning is proposal based on part experience and present trends for future actions . In other words, it is an analysis of a problem and finding out the solutions to solve them with reference to the objective of the farm.

**3). Sound organization :**An organization is the art or science of building up systematical whole by a number of but related parts . Just as human frame is build up various parts like heart , lever , brain , legs etc. Similarly, organization of business is harmonies combination of men , machine material , money management etc . so that all these could work jointly as one unit , i.e “business” “the agribusiness”. Organization is thus such a systematic combination of various related parts for achieving a defined objectives in an effective manner .

**4). Research :** As included earlier , today the agricultural production philosophy “produce what the customer want” . “Consumers” behaviour is influenced by variety of factors like cultural , social , personal , and psychological factors . The knowledge of these factors is acquired through market research . Research is a systematic search for new knowledge . Market research enable a business in finding in finding out new knowledge . Market research enable a business in finding out new methods of production , improving the equality of product and developing new products as per the changing tastes and wants if the consumers.

**5). Finance :**Finance is said to be the life – blood of business enterprises . It brings together the land ,labour, machine and raw materials into production . Agri-business should estimate its financial requirements adequately so that it may keep the business wheel on moving . Therefore, proper arrangements should be made for securing the required finance for the enterprise.

**6). Proper plant location , layout and size :** The success of agribusiness depends to a great extent on the location . Where it is set up . Location of the business should be convenient from various of view such as availability of required infrastructure facilities , availability of inputs like raw materials , skill labour , nearer to the market etc.

Hence the business men must take sufficient care in the initial stages to selected suitable location for his business.

The Size of the business is also important because the requirement for infrastructural facilities and inputs varies as per the size of the business . The requirements for material , for example , will be less in a similar sized firm than a larger size firm.

**7). Efficient management :**One of the reasons for failure of business often attributed to as their poor management or inefficient management . The one man , i.e. the proprietor may not be equally good in all areas of the business . Efficient businessman can make proper use of available resources for achieving the objectives business can make proper use of available resources for achieving the objectives set for the business.

**8). Harmonious relations with the workers :**In an agribusiness organization , the farmer operator occupies a distinct place because he/she is the man living factor among all factors of production . In fact , it is the human factor who makes the use of other non-human factors like land , machine , money etc. Therefore, for successful operation of business , there should be cordial and harmonious relations maintained with the workers/labours to get their full cooperation in achieving business activities.

**Components of Agri-business Sectors :**

1. **Input sector :**It deals with the supply of inputs required by the farmers for raising crops , livestock and other allied enterprises . These include seeds , fertilizers , chemicals , machinery and fuel .
2. **Farm sector :**It aims at producing crops , livestock and other products .
3. **Product sector :**It deals with various aspects like storage , processing and marketing the finished products so as to meet the dynamic needs of consumers.

Therefore, Agribusiness is sum total of all operations or activities involved in the business of production and marketing of farm supplies and farm products for achieving the targeted objectives.



# **Introduction to Management**

**Definition** – “There is no single definition of management; management is administration of business concerns or public undertaking.”

“It is technique by means of which the purpose and objectives of a particular human group are determined, classified and effectuated.”

“Management is a process by which a cooperative group directs action towards common goals.”

“It is the accomplishment of desired objectives by establishing an environment favorable to performance by people operating in organized groups.”

“Management is the unifying and coordinating activity, which combines the action of individuals into meaningful and purposeful group endeavor.”

## **Characteristics of Management –**

- 1) **Planning with present objectives** – Management sets the objectives and plans comprehensively to achieve the same. All management activities are object oriented.
- 2) **Group Involvement** – Management deals with group involvement. The processes have become complex and need specialization. Formal and informal groups do these tasks in an organized manner in full cooperation with each other and achieve the set goals. Managers deal with these groups and make the results effective. Management directs large number employees doing different jobs, prepares job schedules for them and guides them properly.
- 3) **Management is a Process** – Management deals with human effort in a big way. In this sense it is a social process. Managers perform processes make optimum use of scarce resources. A decision is taken, means and material are brought together, people are gathered to assist in accomplishment of tasks and results are apportioned. Since human efforts are involved in a big way, it is a Social process.
- 4) **Management as a specialization** – Managers are expected to have general knowledge of all those tasks being performed by those working at different levels. It is generalization and yet unique in required skills, knowledge and practice. It is thus different from all other procedures in other spheres.
- 5) **It is a System of authority at all levels** – Rights from the Managing Director, down to the supervisor, the management techniques are the same. Although the functions are the same, the authority differs. Each one is vested at his level with authority and powers to get work executed through those reporting to them.
- 6) **Profession** - Management is now considered as a profession and attracts entry of qualified persons to manage big enterprises.
- 7) **Management is both art and science** – The concepts, principles, theory of management and its real practice confirm that it is both.
- 8) Management is the effective utilization of human and materials resources to achieve the objectives of the enterprise.

- 9) **Dynamic** – Management principles are flexible in nature and with dynamic guidelines. It changes with ever – increasing research in field of management and changes in the environment in which the organization exists and so best described as diagnostic guides.
- 10) **Generalizations only** – Management principles are not rigid since it developed out of experience and analysis only. Unlike physical science, empirical support for it is lacking. In the absence of scientific analysis, it is treated only as general ideas.
- 11) **Relative** – Management principles are relative and not absolute and must be applied carefully depending on organization requirements and situation demands.
- 12) **Inexact principles** – Most of the principles inexact live to unpredictability of human nature. Principles governing employee's motivation are like carrot and stick policies not valid now.
- 13) **Universal** – Management principles can be applied in any kind organization and applied to business, government, university and other non-profit organization throughout the world.

In sum, the characteristics of Management are –

**Universal process**

**Purposeful**

**Creative**

**Unifying force**

**Group phenomenon**

**Social process**

**Multidisciplinary**

**Continuous process**

**Intangible**

**Intangible**

**Situational executive function**

**An art as well as science**

## **Importance of good management –**

The managers concept of the management role, of what managers are and what they do, was the single most important factor in determining whether managers were effective or ineffective in their roles. Thus success or failure of any agribusiness rests primarily on its managers effective or failure utilization of the organizations resources. The ability to manage does not surface as an inborn gift, rather, it is a skill that can and must be learned.. To some, management represents a land of mystery and games. To such people the messages transmitted by the present inhabitants of the management world often seem incoherent and vague. Only firsthand experience and exposure to the management perspective can correct this impression. Because people and situations differ, an individual management pattern may be difficult to definite. The myth that it is possible to formulae3 a list of perfect traits or styles of management skills and principles can be learned, the must be adapted by each individual to fit the unique situation and vague. Only firsthand experience and exposure to the management perspective can correct this impression. Because people and situations differ, an individual management pattern may be difficult to definite. The myth that it is possible to formulae a list of perfect traits or styles of management skills and principles can be learned, the must be adapted by each individual to fit the unique situation and vague. Only firsthand experience and exposure to the management perspective can correct this impression. Because people and situations differ, an individual management pattern may be difficult to definite. The myth that it is possible to formula a list of perfect traits or styles of management skills and principles can be learned , the must be adapted by each individual to fit the unique situation.

## **Management Functions**

### **Each of the functions of management-**

Planning, Organizing, Directing, Staffing, Control – are used in managing the four major areas of an agri-business. The mgmt. functions are implemented through the use of various skills, principles, and tools that have become part of the professional agribusiness manager’s knowledge and ability. To the successful, the agri-business manager must apply this functional knowledge and ability to each of the four basic areas of the agri-business; i.e.; financial mgmt. and planning, marketing and selling, production and operations, and personnel or human dimension.

### **The basic functions of management are:**

**Planning-** It is the ongoing process of developing the business, mission and objectives and determining how they will be accomplished. Planning includes both the broadest view of the organization, e.g. its mission, and the narrowest, e.g., a tactic for accomplishing a specific goal.

**Organizing-** It is establishing the internal organizational structure of the organization. The focus is on division, co-ordination, and control of the tasks and the flow of information within the organization. It is in this function that managers distributes authorities to job holders.

**Staffing-** It is filling and keeping filled with qualified people all positions in the business. Recruiting, hiring, training, evaluating and compensating are the specific activities included in the functions. In the family business, staffing includes all paid and unpaid positions held by family members including the owner/operators.

**Directing-** It is influencing people's behavior through motivation, communication, group dynamics, leadership and discipline. The purpose of directing is to channel the behavior of all personnel to accomplish the organization's mission and objectives while simultaneously helping them accomplish their own career objectives.

**Controlling-** It is a four-step process of establishing performance standards based on the firm's objectives, measuring, reporting actual performance, comparing the two , and taking corrective or preventive actions as necessary.

### **Managerial skills-**

To be an effective manager, it is necessary to possess many skills.

Not all managers have all the skills that would make them the most effective manager. As technology advances and grows, the skills that are needed by managers are constantly changing. Different levels of mgmt. in the organizational structure also require different types of mgmt. skills. Generally, however, managers need to have communication skills, human skills, computer skills, time-mgmt. skills, and technical skills.

Robert L. Katz, a teacher and business executive has identified 3 kinds of skills for manager:

- 1. Technical skill-** The knowledge of and proficiency in activities involving method processes and procedures. Technical skills are more closely related to the tasks that are performed by workers. A manager must know what the workers who are being supervised are doing on their jobs or assistance cannot be provided to them. For Example, a manager who is supervising accountant's need to know the accounting processes; a manager who is supervising a machinist's must know how to operate the equipment; and a manager who supervises the construction of a home must know the sequence of operations and how to perform them.
- 2. Human skills-** The ability to work with people; it is teamwork and creation of a environment in which people feel secure and free to express their opinions. Relating to

the other people is vital on order to be a good manager. Workers come in about every temperament that can be imagined. It takes a manager with the right human skills to manage this variety of workers effectively. Diversity in the workforce is common place. The manager must understand different personality types and cultures to be able to supervise these workers. Human skills cannot be learned in a classroom; they are best learned by working with people. Gaining an understanding of personality types can be learned from book, but practice in dealing with diverse groups is the most meaningful preparation.

- 3. Conceptual skill-** The ability to recognize significant elements in a situation and understand the relationships among the elements.

### **Managerial roles:**

Henry Mintzberg had carefully studied what managers do. In his book, *The nature of Managerial Work*, he describes the roles that managers adopt while carrying out their activities.

#### ***A. Interpersonal Roles-***

- The figurehead role
- The leader role
- The liaison role

#### ***B. Informational Roles-***

- The recipient role
- The disseminator role
- The spokesperson role

#### ***C. Decisional Roles-***

- The entrepreneurial role
- The Disturbance-handler role
- The resource allocator role
- The negotiator role

As discussed earlier, management is a social process. It is the process of working with and through others to achieve organizational objectives in a changing environment.

## **Role of management in Agribusiness –**

Management is generic. Management principles are general rather than specific to type of firm or organization. However, management is universal only if the manager has become familiar with the specific situation in which it is applied. Production technology, customer characteristics and the culture of the industry are examples of specifics that managers need to learn to be effective in applying their generic management skills.

Today the business has become very competitive and complex. This is mainly due to changing taste and fashion of the consumer on the one hand and introduction of substitute and cheaper and better competitive goods on the other the old dictum produce sells has changed overtime into produce only what customer want. In fact knowing what customers want is never simple. Nevertheless a farmer operator/Farmer manager has to give proper thought to this consideration in order to make his businesses successful one.

Traditional concept of management restricted management to getting things done by others. According to modern view management covers wide range of business related activities. It is considered as a process an activity discipline and effort to coordinate control and direct individual and group effort towards attaining the cherished goal of the business. Management may also play the role as science, as an art, as a profession and as a social process.

As a participant in any management programme, one may either be a practicing manager or aspiring to be one. Reasonability and performance are really the key words in defining a manager's role. Performance implies action, and action necessitates taking specific steps and doing the following tasks to produce desired results.

1. Providing purposeful direction to the firm.
2. Managing survival and growth.
3. Maintaining the challenge of increasing competition.
4. Meeting the challenge of increasing competition.
5. Managing for innovation
6. Coping with growing technological sophistication.
7. Maintaining relation with variously segment etc.

An agribusiness is a social institution. Its very existence is dependent upon its harmonious relationship with various relationships with various segments of the society. This harmonious relationship originates from the farm's positive responsiveness to the various

Segments and is closely associated with the tasks a manager is expected perform. The process of evolving this mutual relationship between agribusiness farms and various interest groups begins by acknowledging the existence of the suppliers, distribution, workers, financiers, government and the society.

Management success is gained through accomplishment of mission and objectives. Managers fail when they do not accomplish mission and objectives. Success and failure are tied directly to the reasons for being in business, i. e., mission and objectives. However, accomplishing mission and objectives is not sufficient. Success requires both effectiveness and efficiency. Managers who accomplish their mission and objectives are said to be efficiency. Managers who accomplish their mission and objectives were accomplishing (output). If the cost of accomplishing an objective is prohibitive, then the objective is not realistic in the context of the firm's resources. Additional planning is necessary.

### **Elements Of Management**

The basic elements, which are to be necessarily present in all forms of management, are discussed below.

- 1) There has to be a horizon- a universe, an ambit, within which the management must perform. This ambit may be large or small bit, but it ought to be properly defined.
- 2) There must be an organization, which gives the institutional structure to management. The human team and material inputs used are constituent the organization structure. The organization may be elaborate and complex or it may be simple.
- 3) There is a need for planning which a decision is making process. Planning is a system, a pregame and a way of implementation and its monitoring. Planning is a way of organizing and utilizing resources to attain maximum benefit from an economic activity.
- 4) Any management must have better staffing which involves both qualitative and quantitative aspects.
- 5) Management needs leadership and direction, as it involves teamwork. Without proper leadership and direction, the goals cannot be reached.
- 6) There is need for co- ordination in the management process. Staff has to be coordinated towards achieving the goal of the firm.
- 7) There must be proper evaluation, monitoring and control. The execution of the project has to be evaluated with a very strict time frame and its performance has to be properly monitored and controlled.

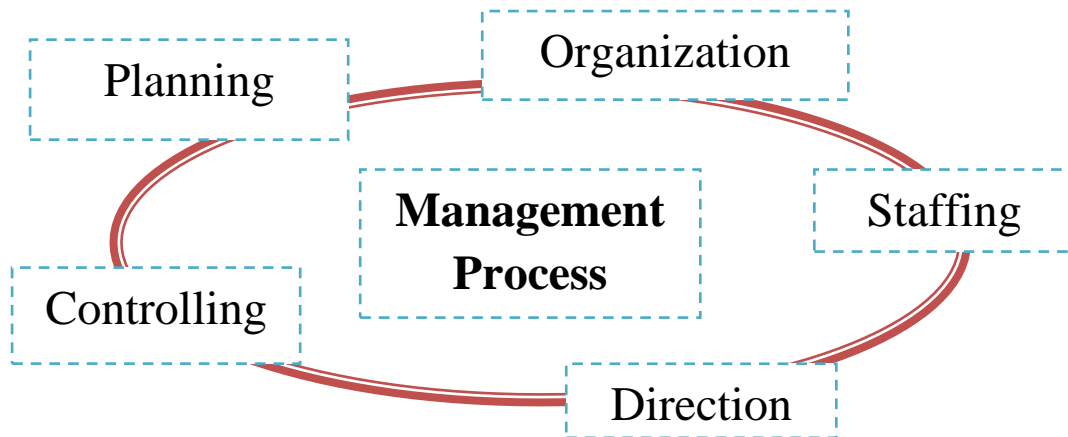
### **Levels of Management**

In the hierarchical organization structure, Robert L. Katz identified three kinds of skills for managers and correlated with the different levels of the organization structures.

- a. **Top management:** consist of boards of directors and the chief executive officer. The CEO is concerned with the overall management of the company.
- b. **Middle Management:** This level of management consists of sectional heads e.g. plant manager, area managers, branch managers, etc.
- c. **Lower management:** This level of management consists of supervisors, purchase officers , sales officers, accounts officers, foremen, etc.

## Nature of Management process –

- Continuity
- Circular
- Composite
- Social
- Interactive
- Universal





# Planning

**Definition:** 1. Forward thinking about courses of action based on understanding of all related factors involved and directed at specific goal. OR

2. "Planning is the function that determines in advance what should be done."

## Importance of planning:

### 1. Selection of "optimum" Goals:

Planning involves rational thinking in setting goals and decision – making concerning a proposed course of action. The goals should be that maximum efficiency is attained regarding the usage of men and materials.

### 2. Tackling increased complexities:

An organization is a heterogeneous group of human beings who differ from one another in many respects. It is unlikely that they will work effectively and harmoniously in the interest of the organization, unless they have a plan.

### 3. Meeting environmental changes:

Business environment changes more rapidly in terms of social value, competition, new product discoveries and consumer's tastes and preferences – and these changes will pose challenges for the growth of any organization. Only proper and effective planning can help the management by adjusting the adapting the inputs and transformation process to suit the environmental changes.

### 4. Safeguard against business failure:

Business failures are blamed on cut-throat competition, unpredictability of consumer tastes and preferences, rapid technological changes and abrupt economic and political developments. However, in many cases, failure is caused due to rash and unscientific decision – making. Planning cannot avert all business failures. But it forces the management to assess and evaluate each emerging business opportunity and problems, and examine the various courses of action to meet them effectively.

### 5. Effective co- Ordination and Control:

Planning makes it easy to exercise control and co- ordination. The work to be done, the departments which have to do it, time limit within which it is to be completed and the cost to be incurred, are all determine in advance.

## Nature or characteristic of planning:

There is a number feature or characteristics of planning that indicate towards its nature. These may be outline as follows;

- 1) **Goal –oriented:** planning is the goal- orient in the sense that plans are prepared and prepared and implemented to achieve certain object.
- 2) **Basic to all managerial functions:** planning is a function that is foundation of management process. Planning logically precedes all other functions of management,

such as organization, staffing, etc. because without plan there is nothing to control. Every managerial action has to be properly planned.

- 3) **Pervasive:** planning is a function of all managers, although the nature and extent of planning will vary with their authority and level in the organization hierarchy. Managers at higher levels spend more time and effort on planning than do lower managers.
- 4) **Interdependent process:** planning affects and is affected by the programs of different departments in so far as programs constitute an integrated effort.
- 5) **Future-oriented:** planning is forward looking and it prepares an enterprise for the future.
- 6) **Forecasting integral to planning:** the essence of planning is forecasting. Plans are a synthesis of various forecasts. Thus, planning is inextricably (inseparably) bound up with forecasting.
- 7) **Continuous process:** planning is an ongoing process. Old plans have to be prepared in case the environment undergoes a change. It shows the dynamic nature of planning.
- 8) **Intellectual process:** planning is mental or conceptual exercise, it therefore involves rational decision making: requires imagination, foresight, and sound judgment: and involves thinking before doing on the basis of facts and information.
- 9) **Integrating process:** planning is essential for the enterprise as a whole. Newman and others have drawn our attention towards this feature of planning, “without planning, an enterprise will soon disintegrate: the pattern of its action would be as random as that made by leaves scampering (running quickly in short steps) before an autumn wind, and its employees would be as confused as ants in an upturned anthill.” If there are no plans, action will be a random activity in the organization, instead there will be chaos.
- 10) **Planning and control are inseparable:** unplanned action cannot be controlled without control, planned actions cannot be executed unless plans furnish standards of control. In fact, planning is meaningful without control and control is planning aimless without planning is measuring rod of efficiency.
- 11) **Choice among alternative courses of action:** the need for planning arises due to several ways available for an action if there is only one way out left there is no need for planning.
- 12) **Flexible process:** the principle of navigational change (i.e., change according to change in environment) applies to planning in other words effective planning requires continual checking on events and forecasts, and the redrawing of plans to maintain a course towards desired goals thus have to be adaptable to changing circumstances.

### **Steps of planning**

A step-by-step procedure has to be followed in the planning process in order to reach the set goals of the organization.

#### **1. Identification of the opportunity of problems:**

Planning must facilitate the organization to suit it to its environment. The constraints and opportunities provided by the environment may be in the form of government regulations, existing cultural norms, limited financial resources in the capital market, changing technology, production of goods and services as per customer preferences, etc. hence, correct identification of opportunity or problem to be addressed is the first step of planning.

## **2.Collection and analysis of relevant information:**

Effective planning depends on the quality, relevance and validity of the information on which it is based. The sources of information may be classified as external and internal. External source will include suppliers, customers, professional people, trade publications, newspapers, magazines, conferences, etc. internal sources will comprise of meetings, reports, and contacts with superior, same ranks and subordinates.

## **3.Establishment of objectives:**

Establishment of objectives points out the desired outcome that an organization may aim at stability of operations, growth, a higher rate of return, market leadership and so on.

## **4.Determination of planning premises or limitations:**

Planning has to take into account numerous uncertainties in its environment. Important components of the internal environmental limitations are a) technology, b) structural relationship and organization design, c) employee attitude and morale; and d) managerial decision- making process. Internal environment is within the control of management, which can appropriately adjust and adapt it to the requirements of the external environmental.

Uncertainties relating to the external environment are beyond the control of management. These may be in respect of a) fiscal policies of the government, b) economic condition; c) population trends; d) consumer tastes and preferences; e) competitors plan and activities; and f) personal practices.

Only those factors which critically affect the enterprise plan should be identified and evaluated.

## **5.Examining alternative courses of action:**

Often, there will be more than one action plan to achieve desired objective. For example, if the objective is to maximize profits and there are no limits to increasing production, the objectives can be achieved through, either tapping in expected markets, or intensifying sale efforts in the existing markets, or intensifying sale efforts in the existing markets, or increasing then price, or diversifying production. The number of alternative plan prepared by a manger would depend on his imagination, skill and experience.

## **6.Weighing alternatives courses of action:**

Evaluation of each alternatives action- plan will have to be from different points of view, namely, a) its effectiveness in contributing to the accomplishment of organizational; b) its ability to withstand the effects of environmental changes; and c) its integration with on- going action plans.

### **7.Selecting the best course of action:**

Whether the evaluation of various alternatives is directed by individual preferences and prejudices, or it is based on mathematical and statistical techniques, the course of action depends on resource availability, objectives, efficiency and economy.

### **8.Determining secondary plans:**

Secondary plans flow from the basic plan. These are meant to support and expedite the achievement of the basic plans. For example, once the basic plan is decided upon, a number of secondary plans dealing with purchase of raw materials and machines, hiring and training of workers and so on would have to be prepared to facilitate execution of the basic plan.

### **9.Providing for future evaluation:**

In order to ascertain if plans selected for the purpose are proceeding along right lines, it is necessary to devise a system for continuous evaluation of plan.

## **Types of planning:**

Planning is often classified on the basis of the length of the period covered by it. Accordingly, there may be long range and short range planning. However, the length of the planning period will depend on the organization level at which planning is being done- the type of business, the production cycle, managerial practices, etc.

### **A) Long- range planning**

Long- range planning covers a long period in future, e.g., five or ten years, and, sometimes even longer. It is concerned with the functional areas of business such as production, sales, finance and personnel. It also considers long-term economic, social and technological factors which affect the long-range objectives of the enterprises. All enterprise activities are directed to achieve the targets set by long-range planning. Long- range planning is also called strategic planning, because it is concerned with preparing the enterprise to face the effects of long-term changes in business environment, such as entry of new products, new competitors, and new production techniques and so on.

### **B)Short-range planning**

Short-range planning, also called tactical planning, covers a short period, usually less than one year. It deals with specific activities to be undertaken to accomplish the objectives set by

long-range planning. Thus, it relates to current function of production, sales, finance and personnel.

### **C) Intermediate planning.**

While long-range and short-range planning encompasses all the major functional areas of the enterprise, planning also requires accomplishing certain specific goals covering one or a few of these areas. But such planning is only supplementary to long-range or short-range planning of the enterprise and, in a sense; it can be called intermediate planning.

**In other way,** Planning can also be explained in terms of:

- i) Production planning and
- ii) Project planning and these two are explained below.

#### **Production planning:**

It concerns with the planning of size of production and sales. That is,

- Determining the extent to which a particular product is acceptable to consumers
- Estimating the amount of anticipated sales.
- Determining the period up to which a product would be in demand
- Developing a new product to replace the old one, or improving the existing product
- Intensifying sales in the existing markets and developing new markets

#### **Project planning**

It concerns with a specific project or plan, such as setting up a new factory or plant, or scheme relating to modernization, amalgamation, or absorption of existing enterprises.

Projects are large, discrete and well defined tasks. A long-time lag is inevitable between the beginning of a project and its completion.

#### **Limitations of planning:**

##### **Uncertainty**

Assessment of future can only be in terms of guess work, probabilities, speculations and assumptions. The goals may be based on scientific analysis of relevant facts, and yet such analysis cannot be cent correct.

##### **Action packed routine**

Managers are ever preoccupied with day-to-day problems. This leaves them little time to think and plan about the problems of tomorrow.

**Rigidity**

Planning involves setting of objectives, and determination of the ideal course of action for their implementation. It implies that there will be little scope for deviation from the chosen path.

**Costly**

Planning is not an expensive exercise, but also a time consuming process.

# **Organizing**

## **Importance of Organization**

### ***1. Efficiency in Management :-***

Planning, direction and control can have meaning only when these functions are undertaken with the frame work of properly designed and balanced organization. Organization is an effective instrument for realizing the objective of an enterprise.

### ***2. Instrument of all round development :-***

A balanced organization helps an enterprise to grow and enter new lines of business. It can achieve the necessary momentum and adaptability to meet the various challenges posed by the environmental force.

### ***3. Adoption of new technology :-***

In a rapidly advancing world, changes are bound to take place in the techniques of production, distribution and man-power management. An effective management can foresee such changes in environment, which will involve rescheduling of activities as a new approach to delegation of authority and responsibility.

### ***4. Aid to initiative :-***

For an organization to continue to remain effective, it is necessary that it encourages initiative among its staff. Then alone, it can discover talents and creativity among its employees.

## **Nature or characteristics of an organization**

### **1. Division of labour :-**

It is the root of any organization structure. In order to improve the efficiency of any organization, the total efforts of persons who joined together for a common purpose have to be divided into different functions. These functions are further divided into sub-functions each to be performed by different persons. After the division of the total effort into functions and sub-functions the next step is to group the activities on the basis of similarity of work. For example, in a manufacturing enterprise, its total activities may be divided and grouped under a) production, b) marketing, c) Finance and d) personnel.

### **2. Co-ordination :-**

An organization has to adopt suitable methods to ensure proper co-ordination of the different activities to be performed at various work spots. This implies that there must be a proper relationship between: a) an employee and his work, b) one employee and another and c) one department or sub-department and another.

### **3. Objectives :-**

Objectives of a business cannot be accomplished without an organization; similarly an organization cannot exist for long without any objective and goal.

#### **4. Authority – Responsibility structure :-**

For successful management, positions of personnel are so ranked that each of them is a subordinate to the one above it, and superior to the one below it. Management authority may be defined as the right to act, or to direct the actions of others.

#### **5. Communication :-**

For successful management, effective communication is vital because management is concerned with working with others, and unless there is proper understanding between people, it cannot be effective. The channels of communication may be formal, informal, downward, upward and horizontal.

### **Process of organization**

The important steps in an organizational process are :

#### **1. Determining the activities to be performed :-**

The first step in this process is to divide the total effort into a number of functions and sub-functions each to be performed, preferably, by a single individual or a group of individuals. Thus, specialization is a guiding principle in the division of activities.

#### **2. Assignment of responsibilities :-**

It involves selection of suitable persons to take charge of activities to be performed at each work point. Also the tasks to be performed by each member or group should be clearly defined.

#### **3. Delegation of authority :-**

Along with the assignment of duties, there should be proper delegation of authority. It would be unrealistic to expect an individual to perform his job well if he lacks the authority to secure performance from his subordinates.

#### **4. Selecting right men for right jobs :-**

Before assigning a particular task to an individual, his technical competence, interests, and aptitude for the job should be tested. If the individual concerned lacks the technical ability to do his job he can not perform it to the best of his ability.

#### **5. Providing right environment :-**

It involves provision of physical means like machines, furniture, stationary etc. and generation of right atmosphere in which employee can perform their respective tasks. Key Element of Organization process

The following are the key elements in the process of organization 1) Departmentation 2) Delegation and 3) Decentralization.



## **Principles of organization**

The structure of the organization should be designed such that it achieves the stated goals. The basic principles of an organization are:

### **1. Objectives :-**

The objective of an organization are decisive in the determination of its structure. Does it plan to produce a single product to begin with, and then go on adding to its product-line as the financial resources permit? Does it want to produce quality product? Does it plan to retain customer good will by providing after sales services? All these questions will influence the organization structure.

### **2. Unity of command :-**

The unity of command stipulates that each is responsible to only one superior. If a subordinate is made to follow the orders from more than one boss, he will be in a perpetual dilemma and not knowing whose orders should be carried out first, how to allocate his time between different bosses, so as to satisfy them all and displease none, and what to do in case of conflicting orders.

### **3. Span of control :-**

The span of control refers to the number of subordinate managers reporting to a single senior manager stationed above them in the management pyramid. The span of control should be legitimate (neither too wide nor too narrow) without split in the line of control.

The optimum span must be determined for each enterprise taking into account of all the variables – organizational and human – the nature of enterprise, its traditions, tasks and ambitions. The span of control will differ from level to level; the optimum span should be determined individually for the different levels of management.

# **Directing**

## **Definitions:**

**According to Haimann**, “Directing consists of the processing and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.”

**According to Koontz and O’Donnell**, “Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objective.”

**According to Urwick and Breach**, “Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management.”

**According to J. L. Massie**, “Directing concerns the total manner in which a manager influences the actions of his subordinates. It is the final action of the manager in getting others to act after all preparations have been completed.”

**According to Earnest Dole**, “Directing is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, provided-on-the job instructions and of course, issuing orders.”

## **Functions of Direction:**

The directing function includes the following:

- 1) Supervising
- 2) Guiding
- 3) Leading
- 4) Motivating and
- 5) Communicating

### **i) Supervision**

The aim of supervision is to ensure that sub-ordinates work efficiently to accomplish the tasks assigned to them. Directing and supervising are similar in the sense that both seek to motivate the subordinate staff and provide leadership so that the predetermined goals are effectively accomplished. However, only the lowest level managers’ are designated as supervisors. One reason for this is that while all other levels of management have sub-ordinates who are managers themselves, the supervisory staff deals with workers who are engaged in basic operations.

## **ii) Guiding**

This refers to a specialized task of leading the sub-ordinates to accomplish the result by overcoming the hurdles. Direction and purpose are very important for a manager to guide his sub-ordinate.

## **iii) Leadership**

The following definitions refer to different aspects of leadership.

According to *Chester Barnard*, leadership is the ability of a superior to influence the behavior of his subordinates and persuades them to follow a particular course of action.

**Allen** defined leader as the one who guides and directs other people. He must give effective directions and purpose.

The following are the primary functions of a leader. He acts as:

- 1) Executive, 2) Planner, 3) Policy maker, 4) Expert, 5) External group representative,
- 6) Controller of internal relations, 7) Conveyer of rewards and punishments and 8) Arbitrator and mediator.

## **iv) Motivation**

Variation in individual effort and performance is attributable to the extent to which a person feels motivated. Motivation also refers to expansion of his mental and physical effort to accomplish the given task.

Motivation refers to goal-directed behavior. It means what a person will choose to do when several alternatives are available to him. It also refers to the strength of his behavior after he has exercised the choice, and the persistence with which he will engage in such behavior.

## **v) Communicating**

Communication means sharing ideas in common. It means a verbal or written message, an exchange of information, a system of communicating, and a process by which meanings are exchanged between individuals through a common system of symbols. It also means a technique for expressing ideas effectively.

## **Techniques:**

The management follows three techniques of directing listed below:

### **1) The Consultative Directing:**

A superior has consultation with his sub-ordinates before issuing a direction. The consultation is made to find out the feasibility, enforceability and nature of problem. It does not mean that superior is not capable of acting independently. Ultimately, the superior has the right to take any decision and give direction. The co-operation of subordinates is necessary for the successful implementation of any direction. Better motivation is available to the subordinates under this directing technique.

### **2) The Free-Rein Directing:**

The subordinate is encouraged to solve the problem independently under this directing technique after the superior assigns a task to him. The subordinates should take initiative to solve the problem.

### **3) Autocratic Directing:**

This direction is just opposite to free-rein directing technique. Here, the superior commands his subordinates and has close supervision over them. The superior gives clear and precise orders to his subordinates. There is no way left for the subordinates to show their initiatives.

## **Qualities of a Good Supervisor:**

1. Knowledge about the organization
2. Technical competency
3. Ability to instruct and explain
4. Ability to listen to others to gather information, to solve problems, to share experience, etc.
5. Ability to secure co-operation
6. Ability for orderly thinking
7. Ability to judge people
8. Patience
9. Ability to improve workers morale
10. Ability to enforce discipline
11. Ability to delegate the work among his sub-ordinates according to their capabilities.

# Controlling

## Definition:

Controlling is defined as the process of ensuring that activities are producing the desired results. It involves guiding and regulating operations towards some pre-determined goals.

Controlling is the management function in which managers set and communicate performance standards for people, processes and devices. A standard is the benchmark established as the basis for measuring capacity, quantity, value, content, cost, quality or performance. Controlling is about managing risk.

**According to R N Anthony-** “Management control is die process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organization’s objectives.”

## Elements of Control

### 1) Planning

Control is designed to achieve certain objectives. Planning involves the setting of objectives to be accomplished and the actions required to attain them. Planning serves as a basis for control.

### 2) Information Feedback

Control involves comparison of actual performance with planned information. Such comparison is only possible when management is supplied with adequate and accurate information at the right time.

### 3) Delegation of Authority

Control action can be taken only when adequate has been delegated to detect deviations and to correct them. When a manager is assigned the responsibility for a particular work, he has to control the operations involved in that work. Therefore, he must be authorized to take decisions on various matters concerning his responsibility.

### 4) Remedial Action

There is no control until action is taken to rectify the mistakes and deviations. Unless timely action is taken to adjust operations to standards, the control process is incomplete. Corrective action may involve setting of new goals, change in organization structure, and improvements in staffing and new techniques of directing.

## **Process of Control**

- 1) **Establishment of standards-** Standards represent the criteria against which actual performance is measured. These serve as benchmarks because they reflect the desired result or acceptable level of performance.
- 2) **Measurement of standards-** After performance standards are established, the next step is the measurement of actual performance. It should be accurate and reliable. It should be clear, simple and objective.
- 3) **Comparing performance with standards-** Such comparisons reveal the deviations between actual and desired results.
- 4) **Analysis of deviations-** A range of deviations should be established and only cases beyond this range should be reported to top management.
- 5) **Taking corrective action-** so that the deviations may not occur again and objectives are achieved. It may be of the following kinds-
  - Revision of standards
  - Change in assignment of task
  - Training of employees
  - Improvement in the technique of direction

Effective controls focus on critical points, integration, acceptability, timeliness, economic feasibility, accuracy, and comprehensibility. Controls can be effective as long as they do what they intend to do, do not generate opposition, and do not result in costs greater than the benefits they provide. From time to time controls may need change or updating due to changes in mission, structural changes, and changes in decision making, changes in human relations, or technological changes.

## **Techniques of Control**

Control techniques are specific devices designed to measure and monitor specific aspects about the performance of an organization its people and its processes. Subsystem controls may include finance controls, marketing controls, operations controls, human resource controls, and management information system (MIS) controls.

### **1) Personal Observation Method**

Observation of actual performance at the work place is most effective and oldest method of control. It makes the psychological impact on the employees. It is most direct and undistorted means of control.

## 2) Good Organization Structure

In a good organization structure everybody knows the part he has to play and how his role relates to those of others. Such a healthy system of roles and relationships helps in improving productivity and removes obstacles to performances.

## 3) Unity of Plans

Unity of objectives, policies, procedures and methods helps to make control more effective. When the objective of the organization is integrated with the objectives of employees the cooperation and loyalty of people can be secured.

## 4) Statistical Control Reports

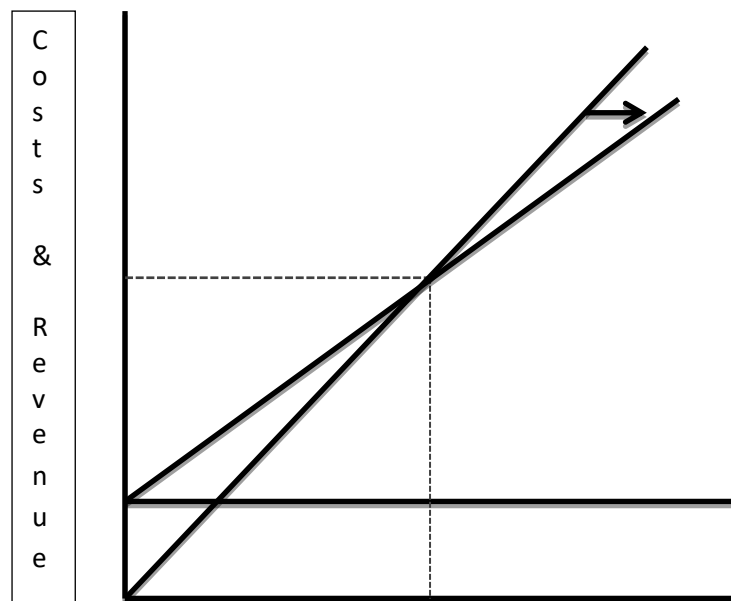
Analysis of statistical data in the form of averages, percentages, ratios, correlations etc. is helpful in the control of production, quality, inventory, etc. statistical reports are analytical documents in the forms of tables, graphs etc.

## 5) Break-even Analysis

Is an analysis of inter-relationships between cost, production, volume of production and profits. The point at which total revenue line intersects the total cost line is known as break-even point.

## 6) Budgetary Control

In this, all operations are planned ahead in the form of budgets and actual results are compared with budgetary standards and necessary actions are taken to ensure attainment of organizational objectives. It involves preparations and use of budgets to evaluate and regulate actual operations. Typical financial controls include:



- Financial statements (balance sheets, income statements, source and uses of funds statements).
- Financial Ratio Analysis (liquidity ratios, profitability ratios, debt ratios, activity ratios).
- Financial Responsibility Centers (dividing responsibility among managers and departments).
- Financial Audits (internal and external tracking and accounting measures).

Budget controls include: The Budget development Process, Operating Budgets, Financial Budgets.

### **7) Management Audits**

Management quality ultimately! Makes the difference between success or failure of an organization. Management audit is an overall and scientific appraisal of the quality of management. It is an independent and critical examination of the entire management process as a total and organic system. It is a systematic and in-depth review of the effectiveness and efficiency of management.

### **8) Return on Investment**

It is a useful technique for controlling overall performance. The essence of this process is that profit is taken not as an absolute figure but is considered in relation to the invested capital.

### **9) Responsibility Accounting**

This implies a system of accounting whereby the performance of various people is judged by assessing how far they have achieved the predetermined targets set for the division, departments, or sections for which they are responsible.

### **10) Management Information System (MIS)**

MIS is designed for processing and systematizing the massive data generated in an enterprise and for feeding it to every level of management. It is designed to meet the goals of the organization.

### **11) Marketing Controls**

Marketing controls include: Market Research, Test Marketing, Marketing ratios, Sales Quotas, Stockage.

### **12) Human Resource Controls**

Human Resource Controls include: Statistical Analysis, Human Asset Evaluation, Training and Development, Performance Appraisals, Attitude Surveys, Management Audits.