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CHAPTER - II

INTRODUCTION TO THE THEORITICAL CONCEPTS

2.1 MANAGEMENT INFORMATION SYSTEM :

All the managerial functions planning, organising, leading and controlling are necessary for successful organisational performance. To support these functions specially planning and controlling, system for supplying information to managers are of special importance. Only with accurate and timely information can managers monitor progress toward their goals and turn plans into reality.

2.2 EVALUATION ON MANAGEMENT INFORMATION SYSTEM :

Organisations have always had some kind of management information system, even if it was not recognised as such. In the past these systems were of a highly informal nature in their setup and utilisation. Not until the advent of computers, with their ability to process and condense large quantities of data, did the design of management information systems become a formal process and field of study. Attempts to use computers effectively led to the identification and study of information systems and to the planning implimentation and review of new ones.

2.3 EDP :

When computers were first introduced into organisations they were used mainly to process data. For a few organisational

functions usally accounting and billing. Because of specilised skills required to operate the expensive, complex equipment, computers were located in electronic data processing departments. To cope with these new tasks, EDP. departments developed standised reports for the use of operating managers. These reports became important points of many organisations management information systems.

2.4 MIS :

The growth of E.D.P. departments spurred managers to plan their organisation information systems more rationally. These efforts led to the emergence of the concept of computer based information system(C.B.I.S.) which become better known as computer based MIS or Simply MIS.

2.5 D.S.S.

Recent advances in computer hardware and soft ware have made it possible for E.D.P./M.I.S. experts, and then for managers, to gain on line " or Real Time" access to the data bases in C.B.I.S. The wide spread use of micro-computers has enabled managers to create their own data bases and electronically manupulate information as needed rather than waiting for reports to be issued by the E.D.P. or M.I.S. departments.

2.6 EXPERT SYSTEM :

The near future witness the wide spread use of expert systems. Expert systems use artificial interligince to diagnose problems, recommend strategies to avert or solve these problem, offer a rational for this recommendation and " learn" from each experience or situation. In effect, the expert system act like a human "Expert" in analysing unstructed situation.

2.7 DEFINATION OF MIS :

M.I.S. is not new, only its computersation is new. Before computers, M.I.S. techniques existed to supply manager with the information that would permit them to plan and control operations. The computer has added one or more dimensions, such as speed, accuracy and increased volumes of data, that permits the consideration of more alternatives in a decision.

A management information system may be defined as a system which collects pertinent facts relating to the external environment and internal operations of an organisation, and which converts the collected data into information formats which are both relevent and meaningful to the needs of the organisation. The information stored should be readilly available to management to aid them, in their decision making and control processes.

This defination reconignes that an organisation is dependent upon the external situation, as well as internal conditions, and

that the availability of information is the bases of planning and control. The essence of sound management is the direction and control of an organisation to meet the great common goals. Such objectives demand continious monitoring in a systematic fashion of different variables which can affect the performance level of total organisation.

The scope of purpose of M.I.S. is better understood if part of the term is defined thus.

M.I.S.

Management	Information	System

2.8 MANAGEMENT :

Management has been defined in a varities of ways, but for our purpose it comprises the processes or activities that describe what managers do in the operation of their organisation: Plan organise, initiate and control operations. They plan by setting strategies and goals and selecting the best course of action to achieve the plan. They organise the tasks necessary for the operational plan, set these tasks up into homogeneous groups, and assign authority delegation. They control the performance of the work by setting performance standards and avoiding deviation from the standards.

Because decision making is such a fundamental prerequisite to each of the foregoing processes, the job of the M.I.S. becomes that of facilitating decisions necessary for planning organising, and controlling the work and factory or the business.

2.9 INFORMATION :

Data must be distinguished from information, and this distingwish is clear and important. Data are facts and figures that are not currently being used in a decision process and usally take the form of historical records that are recorded and filed without immediate intent to retrive for decision making for example supporting documents, ledgers that comprise the source material for profit and loss statement.

Information consist of data that have been retrieved, processed or otherwise used for informative or inference purposes, argument or as a bases for forcasting or decision making.

2.10 SYSTEMS :

A system can be described simply as a set of elements, join together for a common objective. A subsystem is part of a larger system i.e. organisation is the system and division, departments functions, units etc. are the sub systems.

The system concept of M.I.S. is therefore, one of optimising the output of the organisation by connecting the operating subsystems through the medium of information exchange.

2.11 SIGNIFICANCE OF MIS.:

"To manage a business well is to manage its future and to manage the future is to manage the information."

In carrying out management activities such as planning implimentation and control. Management people need information at allmost every turn. They need information about customers, competitors changing business environment and other forces in them as market place.

Today many envorimental forces make it imperative that every firm manage its management information as effectively as possible from the following reason it would be clear the signification M.I.S.

1. SCOPE OF MANAGEMENT ACTIVITIES :

Management activities are becoming more complex and broader in its scope. Companies are expanding their activities rapidly. In this changing environment every one is trying to capture the market for achieving predetermined target i.e. maximisation of profit. To reach this predetermined goal management has to perform various types of business activities for which the management people need lot of information from different sources.

2. TO TAKE PROPER DECISIONS :

A company needs to know which of its products or services are profitable, its share in the total market, growth rate of the

company and their objectives. Apart from this in the changing environment it is necessary to consider likings, demand of the existing and potential customers, techonological changes, buyers behaviours etc. So as to keep pace with the changing environment effective and rational decisions need to be taken which ultimately calls for information of various types.

3. GROWING CONSUMER,PUBLIC,SHAREHOLDER DISCONTENT :

Dissatisfaction among the customers shareholders, general public is after intensified because management lacks adequate information about some aspects of management programme. A management information system can help managers to cope up with each of these dynamic forces.

In every rapid changing environment it is very difficult to manage the business systematically unless company has developed a systematic M.I.S. otherwise, this complex set of interrelated environmental factors poses a formidible array of chalanges to management.

2.12 REPORT :

" A business report is an orderly presentation of facts about specific business activity or programme". C.A.Brown defines a report as a communication from some one who has some information to someone, who wants to use that information.

Thousands of reports, long or short, formal or informal, crucial or ordinary, special or routine are written everyday. A forman at the end of the day, reports to the manager the progress of the work carried on in his supervision. The managing director of a company would like to get report on the efficiency of the measure introduced by him to promote efficiency among his staff. The Board of Director of the firm would definately like to get report on the expenditure incurred in order to make an optimum use of funds earmaked for publicity. Reports thus play very significant role in management of modern business.

2.12.1 ORAL AND WRITTEN REPORTS :

1. A report may be either oral or written. An oral report is simple and easy to present. It may consist in the communication of an impression or on observation. But written report is always preferred, it enjoys several advantages over the oral ones.

   An oral report can be denied at any time but a written report is a permenent record.

2. An oral report tends to be vague. In a written report the writter tries to be accurate and precise.

3. INFORMATIVE AND INTERPRETATIVE REPORTS :

   If a report merely present facts pertinent issue or situation it is informative. On the other hand if it analysis the

facts, draws conclusion and makes recommendation, it may be described as an analytical or interpretative.

2.13 CHARACTERISTIC OF THE GOOD REPORT :

1. PRECISION :

In a good report writer is very clear about the exact purpose of writing it. His investigation, analysis, and recommendation are directed by the central purpose. Precisions gives a kind of unity and coherance to the report and makes it a valuable document.

2. ACCURACY OF FACTS :

The scientific accuracy of facts is very essential to a good report since reports invariably lead to decision making, inaccurate facts may lead to disastrous decisions.

3. RELEVANCE :

The facts presented in a report should be not only accurate but relevant also. While it is essential that every fact included in a report has a bearing on the central purpose. It is equally essential to see that nothing relevant has escaped inclusion, irrelevant facts make a report confusing, exclusion of relevant facts renders it incomplete and likely to mislead.

4. READER ORIENTATION :

A good report is always reader oriented while drafting a report it is necessary to keep in mind the person who are going to read it. A report meant for the layman will be different for another meant for technical experts.

5 OBJECTIVE OF RECOMMENDATIONS :

If recommendations are made at the end of a report, they must be impartial and objective. They should come as a logical conclusion to investigation and analysis. They must not reveal any self interest on the part of writer.

6 SIMPLE AND UNAMBIGUOUS LANGUAGE :

A good report is written in a simple and unambiguous language. It is a kind of scientific document of practical utility, hence it should be free from various forms of poetic embellishment like figures of speech.

7 CLARITY :

A good report is absolutely clear clarity depends on proper arrangement of facts. The report writer must proceed systematically. He should make his purpose clear, define his sources state his finding and finally make necessary recommendations. He should divide his report into short paragraphs giving them heading and insert other suitable sign posts to achieve greater clarity.

8 BREVITY :

A report should be brief. It is difficult to define brevity in absolute terms. Nor can brevity be laid down as a rule. All that can be said is that a good report should be as brief as possible. Brevity should not be achieved at the cost of clarity. Nor should it be at the cost of completness. Some times the problem being investigated is of such importance. That it calls for deta-iled discussion of tacts Then this discussion should not be evaded. Brevity in a report is the kind of brevity one recommends for a precis. Include everything significant and yet be brief.

9 GRAMMATICAL ACCURACY :

The grammatical accuracy of language, of a good report is of fundamental importance. It is one of the basic requisites of good report as of any other piece of composition. Besides faulty construction of sentences makes the meaning obscure and ambiguous.

Stephen Sweet in his book and business English adequately sums up the characteristics of a good business report when he writers.

The report should be characterised by clear expression and neat display, should be in the nature of anargument, well reasoned and arranged,accurate in all details, and leading

logically to the conclusions and recommendations set forth.

2.14 TYPES OF BUSINESS REPORT :

We can classify business reports in three different ways. :

a) On the basis of legal formalities to be computed with we can have two types of reports.

1. Formal Report and,

2. Informal Report.

b) On the basis of the number of persons entrusted with the drafting of a report there can again be two types.

1. Reports by individuals and,

2. Reports by committees and sub committees.

c) Finally, on the basis of the nature of report we can have the following five types.

1. Periodic or routine reports,

2. Progress reports,

3. Examination reports,

4. Recommendation reports and,

5. Statistical Reports.

A brief discussion of various kinds of report is given below.

1. FORMAL REPORT :

A formal report is one which is prepared in a prescribed form and is presented according to an established procedure to a prescribed authority.

2. INFORMAL REPORTS :

An informal report is usually in the form of a person to person communication. It may range from a short, almost fragmentery statement of facts on a single page to a more developed presentation taking several pages. An informal report is usually submitted in the form of letter of memorandum.

The formal reports are again of two types.

1. Statutory reports and,
2. Non statutory Reports.

1. STATUTORY REPORTS :

A report prepared and presented according to the form and procedure laid down by law is called a statutory report. The director and the secretary of a company are required by Companies Act to prepare and submit statutory report.

2. NON STATUTORY REPORTS :

Formal reports which are not required under any law but which are prepared to help the management in framing policies of taking other input all decisions are called non statutory reports.

Some of these non statutory reports one prepared regularly as part of the routine, procedure of business while others are prepared on certain special occasions, or whenever, the exigencies of business demand them. These reports may be prepared by the

directors, their committees, the executive head of departments, the secretary and other officers of the company. These reports may be one of the following types.

2.15 REPORTS OF DIRECTORS TO THE SHAREHOLDERS :

A report submitted by the directors at the annual general meeting of a company is a statutory report. But apart from that the director may be required to submit occasional non statutory report to the shareholders on special problems or special projects undertaken by the company.

EXAMPLE :

Reports on diversification of production, undertaking a special project's entering into collaboration with another company, holding negotations with another company for purchasing its business, entering a new line of business etc.

2.16 REPORTS OF COMMITTEES OF DIRECTORS :

The Board of Directors usually appoint standing committees consisting of two or more director to help the Board to efficiently carry on their task of management and administration.

EXAMPLE :

Finance Committee, Share Allotment Committee, Share Transfer Committee, Arbitration Committee etc. usually these committees are required to submit their reports to the Board of Directors at regular interval.

2.17 REPORT OF SPECIAL OR ADHOC COMMITTEES OF DIRECTORS :

In addition to standing committees special and adhoc committee of directors may be appointed to go into and report on matters of speical or current importance such adhoc committee may be needed to advise the Board on the advisability of setting up a new branch the methods of raising additional capital, the suitability of particular site for constructing a new factory building etc.

2.18 REPORTS OF INDIVIDUAL OFFICERS :

Executives in charge of various divisions of a company viz. sales, purchase, production, accounts, personnel etc. or departmental managers are required to submit periodical reports on the activities and progress of their respective divisions or departments. Such reports are useful to the Board in Planning, controlling and coordinating their business operations other officers like the secretary,auditor , solicitor etc. are also required to submit reports on special matter.

2.19 FINANCIAL REPORTS :

These reports are prepared by the manager of finance department or the controller of finance. They provide valuable information on the financial structure the effectiveness of the use of capital, the need and wages of reorganising the available capital resources etc.

2.20 REPORTS OF THE COMPANY SECRETARY :

The secretary is a principal officer of the Joint Stock Company so he is frequently asked to submit reports on variety of subjects like.

1. Selection of a suitable accomodation for the main or branch office.
2. Complaints from branch offices,
3. Suspected irregularities in some department.
4. Improvement in office organisation.
5 Grievances on the staff.
6 Causes of discontent among labour and their threats to go on a strike.
7 Improvement of working conditions in the office or the factory.
8 Position and prospects of any business proposed to be purchased by the company etc.

2.21 REPORTS OF MEETING :

The secretary is also required to prepare reports on the proceeding on meeting.

a. For the benefit of member who could not attend the meetings.
b. For the filing section for the purpose of record and,
c For publication in new papers. These report may be verbation or summarised the usual practice is to report vertatim the

resolution passed at the meeting and to summarise the other proceedings.

Reports on meeting are not to be confused with minutes which are the official record of the proceeding meeting.

d On the basis of th e number of persons entrusted with the drafting of reports.

1. REPORTS BY INDIVIDUALS :

Reports submitted by the executive heads of various departments the company secretary, the Auditor the solicitor, etc. are reports by individual. These reports are naturally related to the work in their own departments. The production manager may be asked tto submit a report on a proposed new method of production or the sales manager may be required to submit a report on the declining sales and the means to boost them.

2. REPORT BY COMMITTEES OR SUB COMMITTEES :

Sometimes reports are needed on subjects that do not concern any one department or they are so important that it is thought advisable to associate more than one person with them. In such cases committees or sub committees are formed to prepare reports. Reports are written after a careful and cautious deliberation of the members. They are formal in style and impersonal in tone. They may be signed by the members of the committee or by the chairman and secretary.

ON THE BASIS OF THE NATURE OF REPORTS :

1. PERIODIC OR ROUTINE REPORTS :

These reports are prepared and presented at regular, prescribed intervals, in the usual routine of business. They may be submitted annually, bi annually, quarterly, monthly and in summarised form, without any opinion or recommendation. So they are mainly informational reports. They present a chronological record of events.

DETAILS COVERD :

The main purpose of this type of report is to present a correct and coherent picture of the working of the firm or the department concern during the period covered by the report. It should cover the following details.

1. A brief summary of the important events of the period under review in their chronological order.
2. A brief summary of the turnover.
3 A brief account of production.
4 Financial statement showing gross and net profits, assets and liabilities dividend declared, transfer to reserve fund, provisions made for contingence etc.
5 A reference to the condition of the plant machinery equipment of desirable.

6 A reference to important charges in the administration.

7 A comparative study of the current period along with relevant previous periods.

2.22 PROGRESS REPORTS :

These reports are meant to describe and assess progress made during a particular period. They present on account of the work already done work in progress with other relevant facts and details of the work yet to be completed.

DETAILS COVERED :

The progress report should include the following details.

1. A brief introduction to the nature of the project being covered by the report.

2 A brief Account of th e work completed in an earlier period.

3 An Account of the work in progress during the period under review, assessment of work done during this period, comparision of this work, the work during earlier period in order to ascertain if the progress has been satisfactory.

4 An account of any special problem that h ad to be faced ones the solutions of those problems.

5 Important aspects of the work yet to be completed.

6 Any obstruction of hindrance that might slow down the work any other relevant information that might be of help in the completion of the project.

2.23 EXAMINATION REPORTS :

These reports are especially commissined to cover important aspect or events. They are prepared after through investigation old files are studied, personal interviews are held, questionnaire are circulated among people surveys are conducted relevant literature is studied. The important facts are complied and analysed and certain conclusions arrived at. These reports may be or may not contain, recommendations but the finding or conclusions of those who have prepared them definitely influence the final decisions.

DETAILS COVERED :

Examination reports usually covers the following details :

1. The aim and scope of the report.
2. A brief account of the method adopted or the collection of the data inspection of site, records in the old files on the company personal interview with the employees as wellas customers questionnaires circulated among people, study o f relevent literature etc.
3. Analysis on the data so collected.
4 Finding and
5 Recommendations if asked for.

2.24 RECOMMENDATION REPORTS :

In nature these reports are not very different from examine reports, only, these reports must end with specific recommendation. In such reports, the data is analysed in such a manner that the analysis ineviably leads, to the recommendation being made at the end. These reports are argumentative and persuasive in tone. They are very useful to large business houses.

DETAILS COVERED :

Recommendation reports are expected to cover the following details.

1. Aim and scope of the report.
2 Methods adopted for the collection of data.
3 Analysis of data.
4 Findings and
5 Recommendation for a definite programme of action.

2.25 STATISTICAL REPORTS :

As the name suggests, these reports are largely made up of financial data mathematical chart tabuler columns of fitures etc. Although statistical data may be introduced into other type of reports to coordinate facts and facilitate recommendations, if a report consists mainly of such data, there should be some justification in describing it as statistical report.

2.26 GRAPHIC REPRESENTATION :

Graphs and charts enable to present information in a simple and effective manner. This justifies the graphic presentation of reports. Graphs and charts present information in a pictorial manner and easily attract the attention of recipient towards the contently of the reports. Graphs and charts are the most effective media for disclosing trends and comparisons charts are usually used to explain narrative reports consisting of figures.

The various methods of graphic presentation may take the form of Bar charts, Pie or circular charts, "Z" charts, break even charts etc.

2.27 CHARACTERISTICS OF INFORMATION :

Some of important characteristics of information may be given as follows :

1. FREQUENCY :

   The value of the information depends upon the frequency with which it is transmitted or received e.g. financial reports prepared weekly may show a little change, so that they have small value whereas, monthly reports may indicate big changes to show some problems or trends.

2. PURPOSE :

   The basic purpose of information is to inform, evaluate

persuade, or to organise other things.

Therefore, there must be some purpose at the time of transmission of information either to a person or to a machine. If there is no purpose then it is nothing but simply the data or noise.

3. RELIABILITY :

Reliability may be expressed, as the degree of confidence the decision maker places in the information.

4 VALIDITY :

The validity of information is a measure of the degree to which the information represents, e.g. Fixation of consumptions norms on some assumptions which are different from the factory affecting the norms reduce the validity of the norms.

5 MODE AND FORMATS :

The modes as well as formats of information may differefor human being and for machines. The modes of information for human are sensory such as through sight, hearing tasks touch and smell etc. on the other hand machines are capable on receiving information in the mode of electrical, chemical etc.

Human being receive most of their information in the form of oral or written.

2.28 MEDIA OF INFORMATION :

The information is generally operated or transformed through a number of medias such as oral, written, records, impression etc.

1. ORAL :

Face to face, telephone, signals loudspeakers, calling bells, etc.

2. WRITTEN :

Report statements, charts graphs, convyor system etc. In order to decide the means of information transimission to be used the following points should be considered.

RECORDS :

Is it necessary that the information should be in writting for the purpose of record.

IMPRESSION :

The information should be in such a form as to produce the desired effects on the person receiving it e.g. urgent information should be given by telex instead of letter etc.

SPEED :

How soon after despatch must the information reach the person for whom it is intended documents. Whereas, machines receive information in the form of energy, tapes, cards etc.

MEDIA OF INFORMATION :

The types of information depends upon the nature of information which in turn depends upon the level of management using the information.

The nature of top management responsibilities revolves around strategic planning. Information for planning purposes stresses the future which is inexact is difficult to programme. Thus, the nature of information for the top management is unstructured non programmed future and inexact.

On the other hand, the nature of information for the operating management is structured programmed and exact.

Middle management always carries in between top and operating management having elements of both.

COST :

The cost of transmission of the information should not be more than the importance, of the matter.

SECRECY :

What is the possibility of leakage of information? Does it matter in persons other than the recipient become aware of the information is to be taken care of.

SAFTY :

What is the risk of losing the information in transit is the safety aspect of the information.

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