CHAPTER – II

INTRODUCTION TO THE THEORETICAL CONCEPTS

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INTRODUCTION

'Management' is vital aspect of the economical life of man, which is an organised group activity. It is considered as the indispensable institution in the modern social organisation, marked by scientific thoughts and technological innovation. Off course, some form of management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some producive activity, accupation or profession. It is management that regulates mans productive activities through co-ordinated use of material resources.

Modern business is the complex sence of forces of change constantly at work. The size, strategy, structure, motivation of modern enterprise underline the need of creative touch in successfully piloting their affairs new products, new methods and techniques appcar day after day to cater to the ever changing trends of consumer tests and needs. The ceaseless competitive drive to capture markets necessitates intellectual at handling of refined requirements of consumers. Management today is not just exercise of blind authority or business but it implies scientific thinking, accurate planning and meticulous control to ensure quick and better results.

Management has become a profession in view of the modern business becoming more sophisticated. As the ownership gets divorced from management, specialisation in business functioning becomes more marked. Proprietors, shareholders and even their directors remain comparatively in the background. But experts specilizing in delicate and intricate matters of industrial techniques will have to play positive and prominent role in running the business.

2.1 PERSONNEL MANAGEMENT

2.1.1 Introduction

'Personnel Management' is that part of the process of management which is primarily concerned with the human constituents of an organisation. The challenge of personnel administration is p-e-o-p-l-e, their development, their wellbeing and their satisfaction. Personnel administrator deals with people, who are not mere 'machines' 'commodities' or 'cost' but who are as human as any human beings are, who constitute the principal asset of our business and industry. A manager's job, at any level of hierarchy of any organisation, is people and not production. Personnel management is the direction and oordination of human relations in the business organisation, thereby obtaining maximum production with minimum of physical and mental effort and without sacrificing the genuine wellbeing of the employees.

'The Management of Man' is an important and challenging job, important because it is a job, not of managing men but of administering a social system. The management of men is a challenging task because of the dynamic nature of the people. No two persons are similar in mental abilities, traditions, sentiments and behaviour, they differ widely, also as groups and are subject to many and varied influences.

Edwin B. Flippo describes about the personnel function as 'the procurement, development, compensation, integration and maintenance and separation of human resources to the end that individual, organisation and societal objectives are accomplished. Therefore, the personnel management is planning, organizing, directing and controlling of the performance of those operative functions'.

2.1.2 Objectives of Personnel Management

To ensure that the organisation gets the right type of quality at right time and place.

- To oiptimize the utilization of the organization's manpower.
- To create and maintain an organizational climate conducive to the development of the people.

- To establish desirable working relationship among the members of the organisation.
- To maintain a right morale by ensuring the development of highly effective work group.

2.1.3 Recruitment

According to Yoder -

"recruitment is a process to discover the sources of manpower to meet the recruitments of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force"

Recruitment policy involves a commitment by the employer, to principle as :

- Find out and employ the best qualified persons for each job.
- Retain the best and most promising of those hired.
- Offer promising opportunities for life-time working careers.
- Provide programmes and facilities for permanent growth on the job.

2.1.4 Training

Training is an organized procedure by which people acquire knowledge and skill for doing a certain job. No business has a choice of whether to train or not, but the only choice is the method of training. At present, training of workers is necessary because many jobs have assumed highly technological character and automation.

In the present day situation, to achieve certain objectives, training becomes essential. For instance, to increase productivity, to improve the quality of work as well as organizational climate, obsolescence-prevention, etc.

Classification of Training Methods

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                    Training Methods
                          |
                          |
  --------------------------------------------------------
  |        |        |        |        |        |         |
On the   Vesti-   Demon-   Simula-  Appren-  Class-    Other
 job     bule     stra-    tion     ticesh-  room      training
training train-   tion              ip       train-    methods
         ing      and                        ing         |
                  examp-                      |          |
                  les                         |          |
                                              |          |
  ---------------------------------------------          |
  |           |            |           |        |        |
Lectures   Confere-      Case        Role    Programmed  |
           nces          study       playing instruct-   |
                                             ions        |
                                                         |
                         ---------------------------------
                         Associations            Audio visual
                                                 aids
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2.1.5 Development of Human resources

Management development is a systematic process of management, training and growth, by which individuals (aspiring to rise on the ladder of management) gain and apply knowledge, skills, insights and attitudes to manage managers, workers and work organizations effectively. Management development means any planned, guided and directed activity undertaken by a manager to help himself become more competent in his present and/or to consciously prepare himself for assuming higher and more important managerial duties and responsibilities, so that he can claim promotion by merit or competence.

The organizations aspiring to develop their human resources should focus its attention on training, knowledge, skills and attitudes. To achieve this objective, one can exploit the external facilities by deputing their personnel for higher management education (at University and other management institutions) or exposing them to management seminars, conferences, workshops, etc. If the above facilities are not possible or feasible, internal facilities can be thought of, such as job-rotation, art of delegation, promotion and transfer, under-study method etc.

2.2. FINANCIAL MANAGEMENT

2.2.1 Introduction

Finance is regarded as the 'king-pin' of business enterprises. In the money-oriented economy of today, finance is one of the foundations of the economic activity of the mankind. The term 'financial administration' includes within its scope the following four tasks :

1. Estimation of fixed and working capital requirements.
2. Formulation of capital structure, i.e. determination of various types of securities and their relative proportion, whereby the total capital is to be obtained.
3. Procurement of fixed and working capital, i.e. determination of sources of capital supply, and
4. Management of earnings.

Financial management basically deals with the nature of the funds to be raised (i.e. capitalization); in which form they shoiuld be raised (i.e. capital structure), how to deploy them in the business (i.e. investment decision), how to distribute earnings (i.e. dividend decision), and how to control activities pertaining to finance.

J.F.Weston has said that the area of business finance comprises of operations of business firms directed towards the procurement of the capital funds, their investment in the various types of assets.

Business finance can be broadly defined as the activity concerned with the planning, raising, controlling and administering of the funds used in the business.

The executives, or the entrepreneurs, managing the finance function have to decide about the capitalization and form of financing. They have to establish the asset management policies and determine the allocation of earnings. Over and above, one has to establish and control cashflows.

2.2.2 Financial Planning and Control

Financial plan provides a vivid picture of inflows and outflows of money sources of funds and uses of funds. It deals, naturally, with the function of finance or financial system of the firm. Financial planning is an integral part of the overall management planning. In fact, it is the key factor which decides the success or failure of any organization. Financial planning is a sensitive area of management. Within itself, management of liquidity is the most sensitive area. Any imbalance of the liquidity invites trouble for the organizsation and creates a situation which is popularly known as "technical insolvency". Even a financially sound organization might suffer a lot due to liquidity. Thus financial planning is extremely important for the successful existence and gradual growth of the business. It is the responsibility of the top level management.

Financial management would be incomplete or ineffective if adequate measures are not taken to control it. To achieve this objective, the management has to adopt certain financial control measures such as budgetary control, ratio analysis, etc. The discussion for which follows in brief.

Budgetary control gives due recognition to the importance of managerial functions of planning and control. Plans are described in financial terms. Then the actual performance are compared with the plans (budgets) and control is exercised to achieve the planned performance. It also enables the management to coordinate all management functions.

Ratio analysis is a scientific financial tool. A financial ratio is a relationship between two variables drawn from the financial statement of a business enterprise. Such variables are normally taken either from the profit and loss account or from the balance sheet of the undertaking. Financial ratios compare one financial measure with another.

Profit Planning and Control means the development and acceptance of objectives and goals and moving an organization efficiently to achieve those objectives and goals. The term 'Comprehesive Profit Planning and Control'may be defined as a systematic and formalized approach for accomplishing the planning, coordination and control responsibilities of the management.

Break-even Analysis is a managerial tool that emphasizes the relationship among decision-variables such as price, cost and volume of sales.

Sales revenue = Total cost + Zero Profit/Loss.

This is called the 'Break-even Point' at which the firm has neither gains nor losses. The firm breaks even, i.e. it just manages to cover its total costs and we have zero profit or loss.

Whilst alo wing credit is a benefit to the customer, it locks up the company's funds. It is, therefore, necessary for the management that after through investigation, to incorporate an adequate credit-rating and amount collecting procedure.

In connection with cash inflows, leakages must be prevented as well as collections speeded up. In case of cash outflows, there is again the question of preventing leakages. It is essential to study whether there is an excess of cash funds on hand.

2.2.3 Sources of Business Finance

Sources of Business Finance

- For Fixed Capital
  1. Shares
  2. Debentures
  3. Public Deposits
  4. Ploughing-back of profits.
  5. Loans from specialized institutions
- For working capital
  - Regular and Permanent
    1. Shares
    2. Debentures
    3. Ploughing-back of profits
    4. Public Deposits
  - Temporary
    1. Indigenous Bankers
    2. Bank Loans
    3. Trade credits
    4. Investment Credit

2.3. PRODUCTION MANAGEMENT

Production is the creation of goods and services. Production mostly involves manufacturing, mining, farming, fishing or lumbering. Manufacturing production is the systematic step-by-step conversion of raw materials through creation of form utility of goods.

S.A.Sherlekar describes production management as ::

"the process of effectively programming, coordinating and controlling production, i.e. operations of that part of an enterprise, which is responsible for the actual transformation of materials into finished productions. It deals with man-machine organization to accomplish both productivity and satisfaction the desirable end results"

2.3.1 Production Planning & Control

Generally speaking, production planning and control is connected with two important aspects of production, viz. planning of production and control of production.

According to Alford and Botty, production planning and control involve the planning, routing, scheduling, despatching and folloup functions in the productive process, so organized that the movement of material, performance of machines and operations of labour, however sub-divided, are directed and coordinated as to quality, quantity, time and place. It is adopting, as a business principle, the old adage of 'Plan your work and work your plan'

Functions Of Production Planning and Control

Production Planning and Control

Production Planning	Production Control
1.Production schedule/Budget	1.Routing
2.Machine and Equipment	2.Scheduling
3.Manuf.methods and Process	3.Despatching
4.Plant Layout	4.Expending or Follow_up
5.Time and motion Study	
6.Manpower Planning	
7.Inventory Planning.	

In the developing economy like India, production plannning and control have much importance.Production control is a factory's nervous system. It serves to coordinate the activities of a plant just as the nervous system regulates muscular movements. Production Planning and Control is a must for intermittent process. An intermittent process industry is of the special order type, where products are made only to the customers order and where repetition of such orders is usual, the case is very difficult. Production planning and control is an effective instrument of cost control. It rationalizes the prduction activityes. Due to proper production planning and control process, the customers get product in time. Employees can get adequate wages, stable employment, improved working conditions and increased personnel satisfaction. Due to better profitability and increased production, investors can get security of investment and adequate returns. Such type of units are essential for economic stability and propsperity.

2.3.2 Type of Production

We need not have a rigid division of production into various types, each applicable to a particular factory. In practice, we may have a mixture of techniques drawn from different types of production to obtain most effective results. There are three basic types of production, which are given below :

- Flow production/Process Production

It is called on-line or mass-production. All the work is done on a series of machines (or manual work), which flows through those machines in the same sequence. There is no waiting period between two successive processes. Time taken for each operation must be equalized in order to maintain the steady flow of operations.

- <u>Batch Production</u>

If the production process does not have the same sequence of operation in all the work produced in a manufacturing section, the batch production, on small or large scale, will be preferred. Batch producers may arrange their machine-shop so that similar machines are grouped together. Machines are grouped according to the type, i.e. the processes in one area, automatics in another, while lathes and milling machines in yet another area and so on.

- <u>Unit Production/Job Production</u>

It means a type of production where only one article is produced and it is not repeated atleast for a long period. It is the manufacture of a single complete unit by an operator or a group of operators. It consists of bringing together of material, parts and components, in order to assemble and commission a single piece of equipment or product.

2.3.3 <u>Production Control</u>

Production control regulates (and also stimulates) the orderly flow of materials in the manufacturing process from the beginning (the raw state) to the end (the finished product). This is achieved by advance planning of production and effective control over the planned operations. Production control receives sales-orders and converts them into production orders to the plant at the readily digestible rate and in a desirable sequence so that there is no internal disorder.

According to the British Standards Institute, the techniques of production control are : routing (the determination of the path that work shall follow and the necessary sequence of operations), scheduling (fixing the time and date when such operation is to be commenced and completed), despatching (concerned with starting the process and operations of production, based on route sheets and schedule charts) and follow-up (expediting the movement of materials and the production process, as a whole).

2.3.4 Materials Management

Materials constitute an important item in the total mix of resources. A substantial part of the total capital or investment is locked up in materials. Materials management is one of the recent additions to the growing glossary of management. It is a control aimed at a company-wide, totally integrated approach towards management of materials. Its objective is to attack materials cost on all fronts and to optimize the overall end results.

According to Bethel, Atwatter and others, materials management is concerned with the planning and directing and controlling the kind, amount, location, movement and timing of the various flows of commodities (goods flow) used in and produced by a business enterprise.

Production planning breaks the products into materials and parts. Production planning has also to determine the needs of supplies and equipment items required for the manufacturing process. Thus, materials, supplies (consumable items) and equipment required to produce a final product constitute the beginning of the materials management in the case of an industrial company, either for producer-goods or for consumer-goods.

2.4. MARKETING MANAGEMENT

2.4.1 Introduction:

Marketing management represents the functional area of the business management for the flow of goods and services from the producers to the consumers. It looks after the marketing system of the enterprises.

Marketing management has to fulfill the responsibilities in particular ,like -

- Sales and market analysis,
- Determination of marketing goals,
- Sales forecasting and marketing budget,
- Evolving an appropriate marketing mix,

- Formulation of marketing plans and procedures,
- Organizing of all marketing activities included in the marketig mix,
- Assembling of necessary resources, such marketing, personnel, finance and physical facilities, etc; to execute marketing campaigns,
- Active participation in the product planning and development to establish best coorelation between the product attributes and customer demands.

The marketing department can be organized around the product to be sold , if we have a line of products. It may be organized by function , e.g. market research, advertising and sales promotion, pricing and sales management. Functional organization is desirable when we have one or a few closely_related products. When we have a national market and regional marketing problems, which demand special attention,then organization by territory may be preferred.

Philip Kotlar has defined the terms , 'market', 'marketing', and 'marketing mangement', as :

"A market is the set of all actual and potential buyers of the product";

"Marketing is a social and managerial process by which individuals and groups obtain what they need and want, through creating and exchanging products and value with others";

"Marketing management is the analysis, planning, implementation and control of progrmmes designed to create,build and maintain mutually beneficial exchanges and relationships with targets markets for the purpose of achieving organizational objectives".

2.4.2 Competing Concepts of Marketing Activity:

There are five competing concepts under which organizations conduct their marketing activity. They are :

- The Production Concept :

The production concept holds that consumers will favour those products that are widely available and low in cost. Managers of production oriented organizations concentrate on achieving high production efficiency and wide distribution coverage.

- The Product Concept :

The product concept holds that consumers will favour those products that offer the most quality, performance and features. Managers in these product-oriented organizations focus their energy on marketing good products and improving them over time.

- **The selling Concept :**

The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort.

- **The Marketing Concept :**

The marketing concept holds that the key to achieving organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.

- **The Societal Marketing Concept :**

The societal marketing concept holds that the organization's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction more efficiently and effectively than competitors in a way that preserves or enhances the consumers' and the society's well-being.

Interest in marketing is intensifying as more organizations in the business sector, the non-profit sector and the international sector recognize how marketing contributes to the improved performance in the market place.

2.4.3 The Marketing Management Process and Marketing Planning :

The marketing management process consists of analysing marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programmes and organizing, implementing and controlling the marketing effort.

Marketing planning is a team-effort, with each person's task contributing to or dependent on someone else's.

Thus, marketing planning process can be modelled as :

2.4.3 Designing Communication and Promotion-mix strategies :

In modern business, mnanaging complex marketing communication system is of utmost importance. The business communicates with its middlemen, with their consumers and various publics. Consumers engage in a word-of-mouth communication with other consumers and public. Meanwhile, each group provides communication feedback to every other group. The marketing communication mix (also called 'promotion-mix') consists of four major tools, like - advertising, sales promotion, publicity and personal selling.

Marketers need to understand how communication works. The communication model involves the elements like - sender, receiver, message, media, encoding, decoding, response, feedback and noise.

Communication Process

Sender -----Encoding-----MESSAGE-----Decoding-----Receiver

Media

Noise

Feedback----------------Response

Source : Kotler, Philip, "Marketing Management - Analysis, Planning, Implementation and Control"

Sender : The party sending the message to another party (also called the 'source or communicator').

Encoding : The process of putting thought into symbolic form.

Message : The set of symbolic that the sender transmits.

Media : The communication channels through which the message moves from sender to receiver.

Decoding : The process by which the receiver assigns meaning to the symbols transmitted by the sender.

Receiver : The party receiving the message sent by another party (also called the 'audience' or 'destination').

Response : The set of reactions that the receiver has after being exposed to the message.

Feedback : The part of the receiver's response that the receiver communicates back to the sender.

Noise : Unplanned static or distortion during the communication process, resulting in the receiver's receiving a different message than the sender sent.

In order to develop effective communications, the marketer should identify the target audience, determine the communication objectives; design the message; select the communication channel; establish the total promotion budget; decide on the promotion-mix and measure the promotional results.

2.4.5 Evaluating and Controlling Marketing Performance :

Marketing control is the natural sequel to marketing planning, organization and implementation. Marketing control systems are essential to make sure that the business operates efficiently and effectively. Businesses need to carry out various types of marketing control such as :

1. Annual Plan Control :

The purpose of the annual plan control is to ensure that the company achieves the sales, profits and other goals established in its annual plan. The heart of the annual plan control is 'management by objectives'. Four steps are involved : first management must set monthly or quarterly goals in the annual plan as benchmarks; second management must monitor its performance in the market place; third management must determine the causes of any serious performance deviations; fourth management must take corrective action to close the gap between its goals and performance.

The managers use five tools to check on plan, performance; sales analysis, market-share analysis; marketing expenses-to-sales analysis; financial-analysis and customer-attitude tracking.

- Sales analysis consists of measuring and evaluating actual sales in relation to sales goals;
- Sales do not reveal how well the business is doing relative to competitors. Management needs to track its market share. If the business's market satre goes up, the business is gaining on competitors; if it goes down the business is losing relative to competitors;
- Annual plan control requires making sure that the company is not over-spending to achieve sales goals. The key ratio is marketing expenses-to-sales.
- Marketers are increasingly using financial analysis to find profitable strategies and not just sales-building strategies. Financial analysis is used by the management to identify the factors that affect the business's rate of return on net-worth.

- The main customer-attitude tracking systems are: complaint and suggestion system, customer panels and customer surveys:
- When performance starts deviating too much from the plan's goals, management needs to undertake corrective action like production cutting, price cutting, increased pressure on sales force, fringe expenditure cutting, personnel cuts and book keeping adjustments etc.

2. <u>Profitability Control</u>

Profitability control calls for determining the actual profitability of the firm's products, territories, market segements and trade channels. Marketing:Profitability analysis reveals the weaker marketing entities, although it does not indicate whether the weaker units should be bolstered or phased out. This information will help management determine whether my products or marketing activities should be expanded, reduced or eliminated. Like all information tools, marketing profitability analysis can lead or mislead marketing executives, depending on the degree of their understanding of its methods and limitations.

3. <u>Efficiency Control</u> :

Efficiency control is the task of increasing the efficiency of such marketing activities as personal selling, advertising, sales promotion and distribution. Management must watch certain key ratios that indicate how efficiently these functions are being performed.

4. Strategic Control :

Strategic control is the task of ensuring that the business's marketing objectives, strategies and systems are optimally adopted to the current and forecasted marketing environment. Two tools of strategic control are : Marketing effectiveness rating review and Marketing audit.

(i) Marketing Effectiveness Rating Review :

Marketing effectriveness rating review profiles a business or division's overall marketing effectiveness in terms of customer philosophy, marketing organization, marketing information, strategic planning and operational efficiency;

(ii) Marketing Audit :

Marketing audit is a comprehensive, systematic, independent and periodic examination of the organization's marketing environment, objectives, strategies and activities. The purpose of the marketing audit is to determine marketing probloem areas and recommend a corrective shortrun and long run action to improve the organization's overall marketing effectiveness.

2.4.6 Management Information System :

The smooth and unrstricted running of an enterprises depends in toto on an effective system of communication. In every organisation big or small, may it be in the public or private section, 'communication' plays a major role.

Effective communication has a special role to play, particularly in an under developed country like India, where most of the workers are illiterate and it is not uncommon to find person from all parts of the country speaking different languages and working within the same organisation.

Here the device of communication has to be transplanted with great caution. The workers and all others concerned should be acquainted with the type of organisation and the prevailing system of communication then only we can expect its smooth functioning with productive results.

For the smooth execution in any organisation efficient communication is very important. In the early stages of industrial evolution, 'communication' was confined merely to the giving of orders and/or instructions.

In modern i\times, the scope of communication has been considerably winded because it has been realised that communication to be effective must include communication other that that directly between management and workers.

Role of MIS department in organistion is very important.

Organisation have always 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 set up and utilisation. Not until the advent of computers, with their abiulity to process and condense large quantities of data, did the design of management information system, became a formal process and field of study. Attempts to use computers effectively led to the identification and study of information system and to the planning implimentation and review of new ones.

MIS

All the managerial functions planning organising, leading, directing and controlling are very 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 a accurate and timely information can managers monitor progress towards their goals and turn plans into reality.

MIS in not new only its computerisation is new. Before computer MIS techniques existed to supply manager with 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, on line informations, 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 relevant and meaningful to the needs of orgsniation. The information stored should be readily available to the management to aid them in their decision making and control process.

This defination recognises that an organisation is dependent upon the external situation as well as internal conditions, and that the availabiulity of information is the basis of planning and control. Tehe essence of o und management is the direcftion and control of an organisation to meet the great common goals. Such objectives demand continuous monitoring in a systematic fashion of different veriables which can be affect the performance level of total organisation.

The scope and purpose of management information system is better understood if part of the term is defined.

MIS

Management	Information	System

<u>Management</u>

Management has been defined in a varities of ways, but for our purpose it comperises the process oir activities that describe what managers do in the operation of their orgsnistion. 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. The control the performance of the work by setting 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 process, the job of the M.I.S. becomes that of facilitating decisions necessary for planning, organising and controlling the work and factory of the business.

Information

Data must be distinguished from information and this distinguish is clear and important. Data are facts and figures that are not currently being used in a decision process and usually take the form of historical records that are recorded and field without immediate intent to retrive for decision making. For example supporting documents, leaders that comparise the source material for profit and loss statements.

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

System

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

The system concept of MIS is therefore, one of optimising the output of the organisation by connecting the operating subsystem through the medium of information exchange.

Electronic Data Processing :

When computers were first introduced into organisation they were used mainly to process data. For a few orgsnistional functions usually accounting and billing because of specialised skills required to operate the expensive, complex equipment. Computer were located in EDP department. To cope with these new taks EDP department developed standardised reports for the use of operating managers. These reports became important points of many organisations Management Information System.

Decision Support System :

Recent advance in computer hardware and software have made it possible for MIS/EDP 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 EDP department.

Expert system

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

Significance of MIS/EDP :

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, directing, organising and controlling, management people need information at all most every turn. They need information about production, finance, market business environment etc. Today many invorinmental forces make it imperative that every firm manage its management information as effectively as p;ossible from the following reason, it would be clear that significance of MIS.

1. **Effective Management Activities:**

Management activities are becoming more complkex and broader in its scope. Companies are expanding their activities repaidly. In this changing environment every one is trying to capture the market for achieving predermined 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. **Correct/Proper Decision Making :**

A company needs to know which of its products, services, activities are profitable, growth rate of the company and their objectives. Apart from this in the changing environment it is necessary to consider liking, demand of the existing and potential customers technological 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, S.M.Discount :**

Dissatisfaction among the customers, share holders, general public is afte intensified because management lacks adequate information about some aspects of management programme.AS 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 management information system otherwise this complex set of interrelated environmental factors poses a formidible array of chalanges to management.

Role of Management :

The role of management connot be over-emphasized. It can only justify its existence and its authority by the economic result it produces. There may be great non-economic results, the happiness of the members of the enterprise the contribution to the welfare or calture of the community etc. Yet management has failed if it fails to produce economic results. It has failed if it does not supply goods and services desired by the consumer at a price the consumer is willing to pay. It has failed if it does not improve or at least maintain the welath producing capacity of the economic resources entrusted to it. Management is thus, the custodian of the economic welfare of the community.

Complexities of Modern Business:

Changing technology has created complexities which call for improved managerial practices. The importance of management is indeed universal. It is of equal necessity to educational, religious, charitable and other non business institutions. In short management is an essential accompaniment of all social organisations and it is to be found every where as a distinct, separate and dominant activity.

Role of Management in Accelerating Productivity :

The importance of management for the growth of under developed economics can't be exaggerated. Productive resources may be classified into two categories - material and manpower. Material resources are subject to the law of machines and they can't have an output greater than their input. On the other hand, huyman or manpower resources are capable of tremendous growth and development.

Managerial activity being concerned with things done through people, managers have the opportunity of utilizing human resources to secure greater productivity.

Role of Management in Making Man :

Urwick and Breach has rightly observed 'No ideology, no ism, no political theory can win a greater output with less effort from a given complex of human and material resources only sound management. The task of the manager is not an easy one. As he directs the enterprise, he endeavours to allocate human and physical resources wisely, to understand and solve a host of problems, and to recognize and act upon his opportunities. In the face of organizational difficulties, he is expected to make decisions and to behave responsibility. He is concerned with the needs of individuals, co-ordinating and motivating subordinates colleagues and superiors. These responsibilities demand careful observation, objective, analysis and sound judgement traits of the true professional.