MODULE 1

MANAGEMENT

1.1.Definition of management:

- Simplest definition is that it is defined as the art of getting things done through people. Management can also be defined as the process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish the use of people and resources. It is a systematic way of doing things.

1.2.Importance of management

- ***Management is a critical element in the economic growth of the country***: by bringing together the 4 factors of production (men, money, material and machines), management enables a country to experience a substantial level of economic development. A country with enough capital, manpower and other natural resources can still be poor if it doesn't have competent managers to combine and coordinate these resources. Without management, a country's resources of production remain resources and never become production.
- ***Management is essential in all organized efforts, be it a business activity or any other activity:*** principles of management are now universally used not just for managing business organizations, they are also applied to various other types of organisations such educational, social, military etc. management is thus same process in all forms of organisations although it may vary in its complexity with the size of the organization.
- ***Management is the dynamic, life-giving element in every organization:*** it is this element that coordinates current organizational activities and plans future ones. It arbitrates disputes and provides leadership. It adapts organization to its environment and often shapes the environment to make it more suitable to the organization. In a competitive economy, the quality and performance of management determine the success of an organization.

1.3.Management functions:

- Management functions are: Planning, organizing, directing, controlling, innovating and representing.

i. **Planning:** means thinking of their actions in advance.
- It is a function that determines in advance what should be done which is looking ahead and preparing for the future.
- It is a process of determining the objectives and charting out the methods of attaining those objectives.
- It is determination of what, where and how it is to be done and how the results are to be evaluated.
- It is done for the organization as a whole but every division, department or subunit of the orgainsation.
- It is a function which is performed by the managers at all levels-top(which may be

as long as five years),middle(shorter may be week) and supervisory.

ii. **Organizing:** means that managers coordinate human and material resources of the organization.

- It is a function which may be divided into two main sections namely the human organization and material organization.
- Once the plans have been developed and the objectives established they must design and develop a human organization to carry out plans successfully.
- May defined as a structure which results from identifying and grouping work, defining and delegating responsibility and authority and establishing the relationships.
- Staffing is also considered an important function in building the human organization Involves building the right person for the right job.
- Fixes responsibility for a manager to find the right person for the right job and ensures enough manpower for the various positions needed for the organization which involves selection and training of future managers and suitable system of compensation Different objectives require different kinds of organizations.

iii. **Directing:**

- Is the next step after planning, organizing and staffing involves three sub-functions namely communication leadership and motivation.
- Manager explains to his people what they have to do and helps them to do it to the best of their ability.
- Communication is the process of passing information from one person to another.
- Leadership is the process of guiding and influencing the work of his subordinates by the manager.
- Motivation is the arousing the desire in the minds of the workers to give their best to their enterprise.
- To pull out the weight effectively, to be loyal to their enterprise and carry out the task effectively.
- Has two types of motivation financial and nonfinancial Financial: takes the form of salary, bonus, profit-sharing etc. Nonfinancial: takes the form of job security, opportunity of advancement recognition praise etc.

iv. **Controlling:** means that mangers attempt to ensure that there is no deviation from the norm or plan.

- The definition involves the act of achieving the organizations objectives.
- A manager also uses people and other resources such as finance equipment to achieve their goals.
- Management involves the act of achieving organizations objectives. is a function which ensures everything occurs in conformity with plans adopted and involves three elements: 1)establishing the standards of performance 2) Measuring current performance and comparing it against the established standards. 3) Taking action to correct any performance that does not meet the standards.

v. Innovation:

- These days its not necessary for the organization to grow bigger. But its necessary to grow better.

- This makes innovation an important function of the manager.
- Innovation means creating new ideas which may improve a product, process or practice.

vi. **Representing:** A manager is also required nowadays to spend a part of his time in representing his organization before various outside groups which have some stake in the organization.

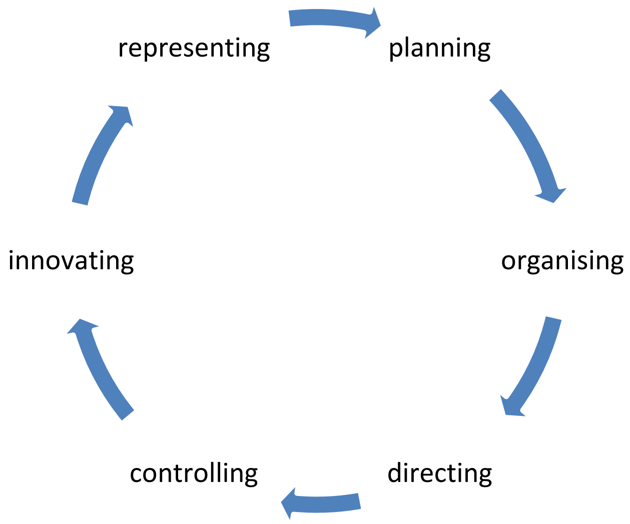

Fig: management process

1.4.Nature of management:
1)All the managers carry out the managerial functions of planning, organizing, staffing leading and controlling
2)management applies to any kind of organization
3)applies to managers at all organizational levels
4)the aim of the managers is same create the surplus
5)managing is concerned with productivity, which implies effectiveness and efficiency

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1.5.Characteristics of management:
Management is
1) Intangible (not measurable and cannot be seen) but its presence can be felt by efforts in the production sales and revenues.
2)universal and it is applicable to all sizes and forms of organizations
3) a group activity and it involves getting things done with and through others
4) Is goal oriented and all actions of management are directed at achieving specific goals.
5)is science as well art and emerging now as a profession
6)is multidisciplinary and it has contributions from psychology, sociology, anthropology

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1.6.Roles of a manager:
I)Interpersonal roles:
(i)Figure head: performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.
(ii)Leader: every manager must motivate and encourage their employees, try to reconcile

their individual needs with the goals of the organization.
(iii)Liaison: in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.

(II)Informational roles:
Monitor: must perpetually scan his environment for information interrogate his liaison and subordinates to get any solicited information useful for the organization.
Disseminator: manager passes the privileged information directly to the subordinates who otherwise would not have access to it.
Spokesman: may require to spend a part of the time in representing the organization before various outside groups having some stake in the organization such as government officials, labour unions, financial institutions.

(III) Decisional roles:
(i)Entrepreneur: in this role the manager proactively looks out for innovation to improve the organization by means of means creating new ideas, development of new products or services or finding new uses for the old ones.
(ii)Disturbance handler: must act like a firefighter to seek solutions to various unanticipated problems
(**iii)Resource allocator**: must divide work and delegate authority among his subordinates.
(iv)Negotiator: must spend considerable time in negotiations. **Example:** the foreman negotiating with the workers for the grievance problems

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1.7. Levels of management: In any organization, there are three levels of management the first-line, middle and top level managers.
First-line management: is made up of foreman and white collared supervisors.
Middle management: consists of vast and diversified group consisting plant managers, personnel managers and department heads.
Top management: consists of board chairman, the company presidents, and the executive vice-presidents i.e the men whoc coordinate all the specialities and make policies for the company as a whole.

1.8. Managerial skills: The manager is required to posses three major skills: Conceptual skill which deals with ideas, human relations skill which deals with people and technical skill which deals with things.

(i) **Conceptual skill:** deals with the ability of manager to take a broad and farsighted view of organization and its future, ability to think in abstract ability to analyze the forces working in a particular situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. The importance of this skill increases as a manager moves up to higher positions in the organization.

(ii) **Technical skill:** are managers understanding of the nature of the job that people under him have to perform. Refers to the person’s knowledge and proficiency in any type of process or technique. The importance of this skill decreses as a manager moves up to higher positions in the organization.

(iii) **Human relations skill**: is the ability to interact effectively with people at all levels and the manager sufficient ability to (a) to recognize the feelings and sentiments of others. (b)to judge the possible reactions to and the outcomes of various courses of action he amy undertake (c) to examine his own concepts and values which may enable to more useful attitudes and about himself. This skill is important for managers at all levels of organizations.

1.9. **Difference Between Management and Administration**

Management	**Administration**
1) Management involves doing. 2) It is a lower level function concerned with the execution and direction of policies and operations. 3) Management involves planning, organizing, directing and controlling. 4) Management is generic term used in governance of business enterprises. 5) In management, economic performance becomes the chief dimension of management.	1. Administration involves thinking. 2. it is a top level function which centers around the determination of plans, policies and objectives of a business enterprise. 3. Administration involves planning and controlling. 4. Administration is a term used in the governance of non-business institutions (such as government, army etc). 5. In administration of non-business institutions economic consequences of decisions are secondary.

1.10. **Management as a science or an art or profession**

a. management as a science

- A discipline is called science if

1) the methods of the inquiry are systematic and empirical
2) if the information can be ordered and analyzed and
3) results are cumulative and communicable .

- Systematic means orderly and unbiased attempt to gain knowledge must be with the personal or other prejudgment.
- Inquiry being empirical means that it is not an armchair speculation or priory approach.
- the scientific information so collected as raw data must be finally ordered and analyzed with the statistical tools which makes the results.
- Communicable and intelligible which also permits repletion of the study and the results in the sense that what is discovered is added to which has been found before which helps us to learn from past mistakes and obtain guides for the future

To analyze whether management is a science:

- Management is not like the exact or natural science such as physics, chemistry etc which are called exact sciences because it's possible to study any one of many of the factors affecting a phenomenon individually. Ex. Effects of heat on the density of air by holding other factors constant.
- Whereas in management it is not possible to study any one of many of the factors affecting a phenomenon individually.
- In management we have to study man and a multiplicity of factors affecting him.
- For example: study of monitory incentives on workers' productivity . it is related to leadership style of the worker's supervisor, worker's need hierarchy etc.
- Therefore management is a behavioral science.

b. Management as art

- As the science considers the why phenomena, management as an art is concerned with the understanding how a particular task can be accomplished.
- It involves art of getting things done through others in a dynamic and non-repetitive fashion and has to constantly analyze the existing situation, determine the objectives, seek the alternatives, implement, coordinate, control and evaluate information and make decisions.
- As the knowledge of management theory and principles is a valuable aid and kit of the manager but it cannot replace his managerial skills and qualities which has to be applied and practiced which makes us to consider management as an art.
- It is like the art of a musician or the art of a painter who uses his own skill and does not copy the skills of others.
- Thus we may conclude that management involves both the elements those of an art and those of science where in certain aspects of management make it as a science, certain others which involves the application of skill makes it an art.

c. To analyze whether Management is a profession:

- **Characteristics of a profession**: 1)existence of organized and systematic knowledge 2) formalized methods of acquiring training and experience. 3)existence of an association with the professionalization as a goal 4)existence of an ethical code to regulate the behavior of the members of the profession 5) Charging of fees based on service.
- **Management:** 1)Does not have fixed norms of managerial behavior 2)no uniform of code of conduct or licensing of managers 3)entry of managerial jobs are not restricted to to individuals with a special academic degree only and hence management cannot be called a profession

Planning

1.11. Nature of planning

- **Planning is the beginning of the process management**
  A manager must plan before he can possibly organize, staff, direct or control. Because planning sets all other functions into action, it can be seen as the most basic function of management. Without planning other functions become mere activity.
- **Planning is an intellectual process** which requires manager to think before acting. It is thinking in advance. it is planning that managers of organization decide what is to be done, when it is to be done, how it is to be done, and how has to do it. Decision making is an integral part of planning. It is the process of choosing among alternatives. Obviously, decision making will occur at many points in the planning process.
- **Planning is a continuous process** like a navigator constantly checks where his ship in going in the vast ocean, a manger must constantly watch his plans must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans.

Corollary:

- **A plan must be flexible.**
  - By flexibility of a plan it means, its ability to change direction to adapt to changing situations without undue cost.
  - It needs to possess a built in flexibility in at least major areas technology, market, finance, personal and organization.
  - Flexibility in technology means the mechanical ability of a company to change and vary its product-mix according to changing needs of its customers.
  - Flexibility in market means the company’s ability to obtain additional funds on favorable terms whenever there is need for them.
  - Flexibility in personnel means the company’s ability o shift individuals from one job to another.
  - Flexibility in organization means the company’s ability t shift individuals from one job to another.
  - Flexibility in organization means the company’s ability to change the organization structure.
  - **Planning is all pervasive function.**
    - ✓ In other words, planning is important to all managers regardless of their level in the organization.
    - ✓ There are however some differences in involvement by managers at different levels.
    - ✓ One major difference concerns the time period covered.
    - ✓ Top level managers are generally months to five years later, or even after that.
    - ✓ Lower level managers are more concerned with planning activities for the day, week or month .first line supervisors, for example plan the work activities for their people for the day.
    - ✓ A second major difference concerns the time spent on planning. Top managers generally spend more time on planning. They are concerned

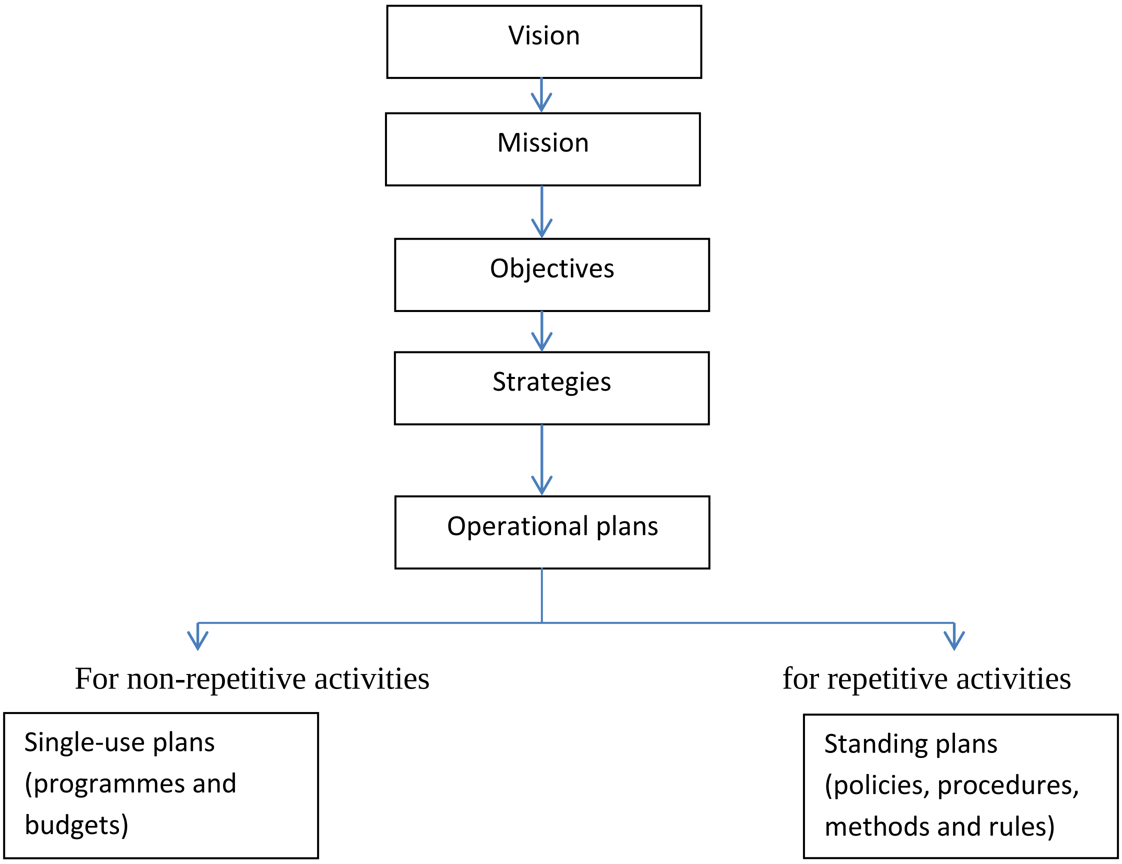
with establishing objectives And developing plans to meet those objectives.
- ✓ Lower level managers are more involved in executing these plans.

1.12. Importance of planning

- **Minimizes risk and uncertainty**
  - ✓ By providing a more rational, fact-based procedure for making decisions, planning allows managers and organizations to minimize risk and uncertainty.
  - ✓ Planning does not deal with future decisions, but in futurity of present decisions.
  - ✓ If a manager does not make any provision for the replacement of plant and machinery, the problems he will have to face after ten years can well be imagined.
  - ✓ It is through planning that the manger relates the uncertainties and possibilities of tomorrow to the facts of today and yesterday.
- **Leads to success**:
  - ✓ Planning does not guarantee success but studies have shown that, often things being equal, companies which plan not only outperform the non-planners but also their past results.
  - ✓ This may be because when a businessman's actions are not random arising as mere reaction to the market place.
  - ✓ Planning leads to success by doing beyond mere adaption to market fluctuations.
  - ✓ With the help of a sound plan, management can act proactively and not simply react.
- **Focus attention on the organizations goals:**
  - ✓ Planning helps the manger to focus attention on the organizations goals and activities.
  - ✓ This makes it easier to apply and coordinate the resources of the organization more economically.
  - ✓ The whole organization is forced to embrace identical goals and collaborate in achieving them.
  - ✓ It enables the manager to chalk out in advance an orderly sequence of steps for the realization of organizations goals and to avoid needless overlapping of activities.
- **Facilitates control**:
  In planning, the manager sets goals and develops plans and to accomplish these goals. These goals and plans then become standards against which performance can be measured. The function of control is to ensure that activities conform to the plans. Thus control can be exercised only if there are plans.
- **Trains executives:** Planning is also an excellent means for training executives. They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.

1.13. Types of plans:

Plans are arranged in a hierarchy within the organization as shown in the figure below



a. Vision

- At the top of this hierarchy is the vision.
- This is the dream that an entrepreneur creates about the direction that his business should pursue in future.
- It describes his aspirations, beliefs and values and shapes organization's strategy.
- A vision should be brief, focused, clear and inspirational to an organisation's employees.

b. Mission

- It is the unique aim of an organization that sets it apart from others of its type.
- It is an organization's specilisation in some area- service, product or client, which decides the organisation's scope of business.
- For example – a university may have a mission of imparting education to women only.
- A firm's mission statement may also mention its cultural values.
- A firm's mission also guides the development of strategies.

c. Objectives

- They are the goals of the organization which the management wishes the organization to achieve.

- These are the end points or pole-star towards which all business activities like organizing, staffing, directing and controlling are directed.
- Only after having defined these end points the can determine the kind of organization the kind of personnel and their qualifications, the kind of motivation, supervision and direction and the control techniques which he must employ to reach these points.
- Objectives are the specific targets to be reached by an organization.
- They are the translation of the organization's mission into concrete terms against which the results can be measured.
- Example:1)university decision to admit a certain number of students or the hospitals decision to admit a certain number of indoor patients.

Characteristics of the objectives:

1. **Objectives are multiple in number**
    - Implies that every business enterprise has a package of objectives set out in various key areas.
    - There are eight key areas in which objectives of performance and results are set which are (i)market standing (ii)innovation (iii)productivity(iv)physical and financial resources(v)profitability (vi)Manager performance and development (vii)worker performance(viii)attitude and public responsibility.

2. **Objectives are either tangible or intangible**
    - For some objectives such as in the areas of market standing, productivity, and physical and financial resources,there are quantifiable values available. Other areas of objectives are not readily quantifiable and are intangible, such as manager's performance, workers morale, public responsibility etc.

3. **Objectives have priority**
    - Implies that at one particular given point of time, the accomplishment of one objective is relatively more important than others.
    - Priority of goals also says something about the relative importance of certain goals regardless of time.
    - For example, , the goal of maintaining a minimum cash balance may be critically important to a firm having difficulty in meeting pay rolls and due dates on accounts.

4. **objectives are generally arranged in a hierarchy**
    - This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives. Objectives at all levels serve as an end and as a means.

5. **objectives sometimes clash with each other**
    - The process of breaking down the enterprise into units requires that objectives be assigned to each unit.
    - Each unit is given the responsibility of attaining an assigned objective.
    - The process of allocating objectives among various units creates the problem of potential goal conflict and sub optimization on, where in achieving the goals of one unit may put in risk of achieving the goals of the other.

Requirements of sound objectives:

1. **Objectives must be clear and acceptable**: The objectives must be clear and understandable amongst people which could be achieved by unambiguous communication, should be compatible with their individual goals.
2. **Objectives must support one another:** Objectives could interlock or interfere with one another which require the need for coordination and balancing the activities of the entire organization, otherwise its members may pursue different paths making it difficult for the manager to achieve the company's overall objectives.
3. **Objectives must be precise and measurable:** An objective must be spelled out in precise, measurable terms the reasons for which being (1) The more precise and measurable the goal, the easier it is to decide the way of achieving it. (2) Precise and measurable goals are better motivators of people than general goals. (3) Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals. (4) It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.
4. **Objectives should always remain valid:** Means that the manager should constantly review, reassess and adjust them according to the changed conditions.

Advantages of objectives: The following are the benefits of objectives

- They provide a *basis for planning* and for developing other type of plans such as policies, budgets and procedures.
- They *act as motivators* for individuals and departments of an enterprise imbuing their activities with a sense of purpose.
- They *eliminate haphazard action* which may result in undesirable consequences.
- They facilitate *coordinated behavior* of various groups which otherwise may pull in different directions.
- They function as *a basis for managerial control* by serving as standards against which actual performance can be measured.
- They facilitate *better management* of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.
- They *lessen misunderstanding and other conflict* and facilitate communication among people by minimizing jurisdictional disputes.
- They *provide legitimacy* to organizations activities.

d. **Strategies**
   - A corporate strategy is a plan which takes these factors(strength, weaknsesses, opportunities and threats) into account and provides optimal match between the firm and the environment.
   - Two important activities are involved in strategy formulation (i)environmental appraisal (ii)corporate appraisal

environmental appraisal: an analysis of the relevant environment results in the identification of threats and opportunities. Some of the key environment factors are:

(1)Political and legal factors:
(a)stability of the government and its political philosophy.
(b)taxation and industrial licensing laws
(c)monitory and fiscal policies
(d) Restrictions on capital movement, repatriation of capital, state trading etc.

2)economic factors
(a)level of economic development and distribution of income
(b) Trend in prices, exchange rates, balance of payments.
(c) Supply of labour, raw, material, capital etc.

(3)competitive factors:
(a)identification of principle competitors
(b)analysis of their performance and programmers in major areas
(c)antimonopoly laws and rules of competition
(d)protection of patents, trademarks, brand names and other industrial property rights

(4)social and cultural factors:
(a)literacy levels of population
(b)religious and social characteristics
(c)extent and rate urbanization
(d)rate of social change

(ii)Corporate appraisal: Involves the analysis of company's strengths and weaknesses. A company's strength may lie in outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, personal relationship with customers, efficient transportation and logistics, effective sales promotion, high turnover of inventories and capital etc. The company must plan to exploit these strengths to the maximum. Similarly it may suffer from a number of weaknesses.

Modes of strategy formulation:
There are three modes of strategy making:

1. Planning mode: it is systematic and rational. The essence of this mode is in being different. Its not that rivals cannot imitate this combination. But imitation of a combination activities is certainly more difficult than imitation of one or two activities.
2. Entrepreneurial mode: in this a proactive, bold plan is drawn to seek new opportunities on the basis of intuition. Also known as 'inside-out' mode, it belives that the greatest constraint on a company's performance is its own mindset.
3. Adaptive mode: also known as 'outside-in' mode is reactive and timid. This mode is generally used to formulate strategies for solving problems as they come.

In real life, organisations follow a combination of all three modes.

e. **Operational plans:**

- These plans act as means of implementing the organization's strategy. They provide details of how the strategy will be accomplished. There are two types of operational plans- **standing plans** and **single-use plans**.

Standing plans: these plans are designed for situations that recur often enough to justify a standardized approach. For example- when the bank gives loan, it uses one standing plan that anticipates in advance whether to approve or turn down the request. The major types of standing plans are**- policies, procedures, methods** and **rules.**

i. **Policies**

- A policy is a general guideline for decision making which sets up boundaries around decisions including those that cannot be made and shutting out those that cannot.
- A policy can be considered as a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which ,managerial action takes place.
- Policies suggest how to do the work. They do not dictate terms to subordinates and provide only a framework within which the decisions must be made by the management in different spheres. Example: 1)Recruitment policy of a company is to recruit meritorious people through the employment exchange.
- Policies and objectives guide thinking and action, but with a difference. Objectives are end points of planning while policies channelize decisions to these ends.

Advantages of policies:

- Policies ensure uniformity of action in respect of matters at various organizational points which make actions more predictable.
- Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.
- makes it easier for the superior to delegate more and more authority to the his subordinates without being unduly concerned because he knows that whatever decision the subordinates make will be within the boundaries of the policies.
- Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained

Types of policies

- Can be classified on the basis of sources, functions or organizational levels

1) **Classification on the basis of sources:** on this basis policies may be divided into three types originated, appealed, implied and imposed policies
   (a) Originated policies: Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own. These policies are set out in print and embodied in manual.
   (b) Appealed policies: Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.
   (c) Implied policies: are also policies which are stated neither in writing nor verbally. Such policies are called implied policies. Only by watching the actual behavior of the various superiors in specific situations can the presence of implied policy is ascertained.
   (d) Externally imposed policies: are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions. **Example: policy dictated by the government law.**

2) **Classification on the basis of functions:** on the basis of business functions, policies may be classified into production, sales, finance, and personnel policies. Every one of these functions have number of policies.

For example: Sales function may have policies relating to market. Production function: may policies relating to the method of production, output, inventory, research. **Finance function:** may have policies relating to capital structure, working capital, internal financing etc. **Personal function**: may have policies relating to recruitment, training, working activities, welfare activities etc.

3) **Classification on the basis of organizational level:** on this basis, policies range from major company policies through major departmental policies to minor or derivative polices applicable to the smallest element of organization.

ii. **Procedures:**

- Policies are carried out by means of more detailed guidelines called procedures.
- A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work.
- The same steps are followed each time that activity is performed.
- **For example:** the procedure for the recruitment of personnel may be (i)inviting applications through advertisement (ii)screening the applications (iii)conducting written test (iv)conducting interview for those who have passed the written test and (v) Medical examination of those who are selected for the posts.

Difference between the policy and the procedure:

Policies	**procedures**
1. Are the general guidelines to both thinking and action of people at higher levels 2.help in fulfilling the objectives of the enterprise 3.are generally broad and allow some latitude in decision making 4.are often established without any study or analysis	1 .are the guidelines to action only usually for the people at the lower levels 2.show us the way to implement policies 3. Are specific and do not show latitude. 4.are always established after thorough study and analysis of work

Advantages and limitations of procedures:

Advantages:

1) They indicate a standard way of performing a task which ensures a high level of uniformity in performance in the enterprise.
2)they result in work simplification and elimination of unnecessary steps and overlapping 3)they facilitate the executive control over performance by laying down the sequence and timing of each task, executives dependence on the personal attributes of his subordinates is

reduced
4)they enable employees to improve their efficiency by providing them with knowledge about their entire range of work

Limitations:
(1)By prescribing one standard way of performing a task, they limit the scope for innovation or improvement of work performance.
(2)By cutting across department lines and extending into various other departments, they sometimes result in duplication, overlapping and conflict. These limitations can be overcome if the management reviews and appraises the procedures periodically with an intention to improve them.

iii. **Methods:**

- A method is a prescribed way of in which one step of a procedure is performed.
- For example the specified technique to be used in screening the applications or conducting a written test is a method whereas the sequence of steps involved in the recruitment of personnel consists of a procedure.
- Methods help in increasing the effectiveness and usefulness of the procedure.
- By improving the methods reduced fatigue better productivity and lower costs can be achieved.

iv. **Rules:**

- Are detailed and recorded instructions that a specific action must or must not be performed a given situation.
- They make sure that the job is done in the same manner every time bringing uniformity in efforts and
- results.

Single use plans: these plans are developed to achieve a specific end, when that end is achieved, the plan is dissolved. The major types of these plans are **programmes** and **budgets.**

i. Programmes:

- Programmes are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.
- Programmes are drawn in conformity with the objectives and are made up of policies, procedures, budgets etc.
- The essential ingredients of every programme are time phasing and budgeting.
- This means that the specific dates should be laid down for the completion of the each successive stage of a programme.
- A provision should also be made in the budget for financing the programme. Often a single step in a programme is set up as a project.

ii. Budgets

- A budget is a financial and/or quantitative statement prepared prior to a definite period of time, of the policy perceived during that period, for the purpose of obtaining a given objective.

- Budgets are plans for a future period of time containing the statements of the expected results in numerical terms that is rupees, man hours Product units and so forth.
- The important budgets are sales budget, revenue budgets, cash budget and expense budget.

Advantages of budgets:

1) Budgets are useful for the enterprise and are expressed in numerical terms, facilitate comparison of the actual results with the planned ones and thus serve as control device for measuring performance.
2) They help in identifying and removing the dead heads of expenditure.

1.14. Steps in planning

1. **Establishing verifiable goals or set of goals to be achieved:**
    - The first step in planning is to determine the enterprise objectives which are often set up by the upper level or top managers, usually after number of possible objectives have been carefully considered.
    - There are many types of objectives managers may select: desired sales volume or growth rate, the development of a new product or service or even a more abstract goal such as becoming more active in the community.
    - The type of goal selected will depend on a number of factors: the basic mission of the organization, the value its mangers hold and the actual and the potential abilities of the organization.
2. **Establishing planning premises:**
    - it is the second step in planning to establish planning premises which is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, general economic conditions, production costs and prices, probable competitive behavior, capital and material availability and government control and so on.
    - **Planning premises can be variously classified as under**
        a. internal and external premises
            - ✓ Premises may exist within and outside company.
            - ✓ Internal premises include sales forecasts, policies and programmes of the organization, capital investment in plant and equipment, competence of management, skill of labour, etc.
            - ✓ External premises can be classified into three different groups Business environment, factors which influence the demand for the product, and the factors which affect the resources available to the enterprise.
            - ✓ External premises may include the following:
              General business and economic environment,
              Technological changes
              Government policies and regulations
              Population growth
              Political stability
              Sociological factors
              Demand for industry's product

b. tangible and intangible premises
    - ✓ **Tangible premises** are those which can be quantitatively measured while **Intangible premises** are those which being qualitative in character and cannot be measured.
    - ✓ **Tangible examples**: population growth, industry demand, capital and resources invested in the organization are all tangible.
    - ✓ **Intangible examples:** political stability, sociological factors, business and economic environment are all tangible.

c. controllable and non controllable premises
    - ✓ Some of the planning premises are controllable and some are non-controllable and because of the non-controllable factors there is need for the organization to revise the plans periodically in accordance with the current development.
    - ✓ **Examples of uncontrollable factors:** strikes, wars, natural calamities, emergency, legislation etc.
    - ✓ **Examples of controllable factors:** company's advertising agency, competence of management member's skill of the labour force, availability of resources in terms of capital and labour, attitude and behavior of the owner's of the organization.

3. **deciding the planning period:**
    - It is the next task once the upper level managers have selected the basic long term goals and the planning premises.
    - Business plans are made in some instances once for a year and plans are made for decades based on some logic and future thinking.
    - The factors which affect the choice of period are: (a) Lead time in development and commercialization of new product. (b)The time required to recover capital investments or the pay-back period and (c) Length of the commitments which are already made.
    - **lead time in development and commercialization of new product: Example:** Heavy engineering manufacturing company wanting to start a new project should have a planning period of five years.
    - **time required to recover capital investments or the pay-back period:** It is the number of years over which the investment outlay will be recovered or paid back. **Example:** machine investment Rs.10 lakhs cash inflow Rs.2 lakhs/year then the payback period is 5 years **.**
    - **length of commitments already made:** plan period should be as long as possible to enable the fulfillment of commitments already made

4. **Finding alternate courses of action:**
    - The fourth step of planning is to find the alternate courses of action. **Example:** securing the technical knowhow by engaging a foreign technician or by training staff abroad.
5. **Evaluating and selecting the alternate courses of action:** After selecting the alternate courses selection the best course or course of action with the help of quantitative techniques and operations research.
6. **Developing the derivative plans:** Once plan formulated, its broad goals must be translated on day to day operations of organization. Middle level managers must draw up the appropriate plans, programmes and budgets for their sub-units which are described as derivative plans.

7. **measuring and controlling the process:** Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

1.15. Limitations of planning:

- **Planning is expensive and time consuming process.** It involves significant amount of money, energy and also risk without any assurance of the fulfillment of the organizations objectives.
- **Sometimes restricts the organization to the most rational and risk free opportunities**. Curbs the initiatives of the manager and forces him to operate within the limits set by it and sometimes cause delay in decision making in case of emergency.
- **Scope of planning is limited with rapidly changing situations.**
- **Establishment of advance plans tends to make administration inflexible. Example:** business changes, change in government policy, may make the original plan lose its value.
- **Another limiting factor in planning is the formulating of the accurate premises.**
- **Planning may sometimes face people's resistance to it.**

1.16. Decision-making – Meaning

- A decision is a choice between two or more alternatives. This implies three things:
    1. When managers make decision they are *choosing*.
    2. Managers have *alternatives* available when they are making a decision.
    3. Managers have a *purpose* in mind when they make a decision.

1.17. Types of decision

1. Programmed and non-programmed decisions

- Programmed decisions are those that are made in accordance with some policy, rule or procedure.
- These decisions are generally repetitive, routine and are obviously easiest for managers to make.
- Examples: determining salary payments to employees who have been ill.
- Non-programmed decisions are novel and non-repetitive.
- If a problem has not arisen before or if there is no cut and dry method to handle, it must be handled by a nob-programmed decision.
- In the case of programmed decisions, since each manager is guided by the same set of rules and policies, it is not possible for two managers to reach different solutions to the same problem.
- But in case of non-programmed decisions, it is possible for two managers to arrive at distinctly different solutions to the same problem.

2. Major and minor decisions

- We can measure the relative significance of a decision in four ways:

Degree of futurity of decision: a decision which has long range impact is a very major decision. For example- replacement of men by machinery. The decision to store raw material may be taken as a minor decision, it doesn't have a long range impact.

Impact of decision on other functional areas: if a decision affects only one function, it is a minor decision. Ex: decision to shift from bound ledger to loose leaf ledger may be made by the accountant himself since it affects no one except his department. But a decision to change the basis for overhead allocation in preparing department profit and loss account affects all other functional areas which makes it a major decision.

Qualitative factors that enter the decision: a decision which involves certain subjective factors is an important decision.

Recurrence of decisions: decisions which are rare and have no precedents as guides may be regarded as major decisions and may have to be made at a high level. Decisions which occur very often become minor and routine decisions and may be taken at a lower level.

3. Routine and strategic decisions

- Routine or housekeeping decisions are those which are supportive of, rather than central to,the company's operations.
- They relate to the present.
- Their primary purpose is to achieve as high degree of efficiency.
- Example- provision for air conditioning, parking facilities etc.
- On the other hand, lowering the price of the product , changing the product line etc are strategic decisions.
- Routine decisions require little deliberation and money and taken by lower level managers.
- Strategic decisions require lengthy deliberation and large funds and are taken by managers at higher levels.

4. Individual and group decisions

- Decisions may be taken either by an individual or by a group.
- Individual decisions are taken where the problem is of a routine nature, where the analysis of variable is simple and where definite procedures to deal with the problem already exist.
- Important and strategic decisions which may result into some changes in the organization are generally taken by a group.
- Interdepartmental decisions are also taken by group.

Advantages of group decisions:

a. Increased acceptance by those affected: decisions made by a group are mostly accepted by group's members and they help implement those decisions more readily.
b. Easier coordination: decisions made by groups reduce the amount of coordination necessary to bring the decision to play.
c. Easier communication: decisions made by groups reduce the amount of communication necessary to implement the decision.

d. More information processed: because many individuals are involved, more data and information can be brought to bear on the decision.

Disadvantages of group decisions:

a. Group decisions can take longer: groups take longer than individuals to make decisions.
b. Groups can be indecisive: groups can drag on and never take decisions because they can always blame other members of the group for lack of progress.
c. Groups can compromise: this can lead to decisions that satisfy the “lowest common denominator”.
d. Groups can be dominated: the highest status individual, if he chooses, can influence the group so that it notices his or her choices.
e. Groups may have a prior commitment to a particular solution: this may be due to ties to persons outside the groups.

Approaches to group decision –making:

- **Nominal group technique:**

This technique is as follows-

1. Members first silently and independently generate their ideas on a problem in writing.
2. They then present their ideas to the group without discussion. The ideas are summarized and written on a black board.
3. The recorded ideas are then discussed for the purposes of clarification and evaluation.
4. Finally, each member silently gives his independent rating about various ideas through a system of voting.

- **Delphi technique:**

i. In this technique, the group consists of persons who are physically dispersed and are anonymous to one another.
ii. They are asked to send their opinion on a topic through mail.
iii. For this purpose, they are first sent a carefully designed questionnaire.
iv. Their responses to the questionnaire are then summarized into feedback report and sent back to them along with a second questionnaire which is designed to probe more deeply into the ideas generated in response to the first questionnaire.
v. Two important limitations of this technique are:
    1. There may be a bias in the way the questions are worded.
    2. A different group of experts may not reach the same conclusions.

5. Simple and complex decisions

- When variables to be considered for solving a problem are few, the decision is simple, when they are many, the decision is complex.
- When we combine these two types of decisions, we get four types of decisions:

✓ Decisions in which the problem is simple and outcome has high degree of certainty. These are called mechanistic or routine decisions.

✓ Decisions in which the problem is simple but the outcome has a low degree of certainty. These are called judgement decisions. Many decisions in the area of marketing, investment and personnel are of this type.

✓ Decisions in which the problem is complex but the outcome has a high degree of certainty. These are called as analytical decisions. Many decisions in the area of production are of this type.

- ✓ Decisions in which the problem is complex and the outcome has a low degree of certainty. These are called as adaptive decisions. Changes in corporate plans and policies to meet the changes in environment and technology are decisions of this type.

1.18. Steps in rational decision-making

A. Recognizing the problem

- First of all, its necessary to search the environment for the existence of a problem. A problem exists :
  - ❖ When there is a deviation past experience. For example- this year's sales are falling behind last year's.
  - ❖ When there is a deviation from the plan. For example-profit levels are lower than anticipated
  - ❖ When other people bring problems to the manager. For example- customers may complain about late deliveries
  - ❖ When competitors outperform the manager's organization. For example- other companies might develop new processes

B. Deciding priorities among problems

- A manager should not allow himself to be troubled by all sorts of problems.
- Some of his problems can be solved best by subordinates. All such problems should be passed on to the subordinates.
- Some problems may need to be referred upward.
- Some problems may be deferred because it may not be the best time to act.
- For example: in many product development areas, delaying a decision may be advisable until the outcome of anticipated technical breakthrough is known.

C. Diagnosing the problem

- Every problem should be correctly diagnosed.
- A manager should remember that the symptoms of a problem that he observes may sometimes mislead him.
- they may lead him to suspect one part of the system, when in fact, the defect may lie hidden in another part which is less visble.
- For example: if the sales decline, the management may think that the problem is one of poor selling procedures. But the real problem may be the control of firm and its inability to move quickly enough to meet changes in customer's demand.

D. Developing alternative solutions or courses of action

- The next step is to develop alternative solution.
- Generally for every problem there are alternative solutions.

E. Creativity and innovation

- Two simple ways of developing alternatives are to review the past experience of a similar situation and to scrutinize the practice of other companies.
- But sometimes these ways may not yield the right types of alternatives.
- In such cases, the manager has to be creative or innovative.

F. Measuring and comparing the consequences of alternative solutions

- Once appropriate alternative solutions have been developed, the next step in decision-making is to measure and compare their consequences.

- This involves a comparison of the quality and acceptability of various solutions.
- The quality of a solution must be determined after taking into account its tangible and intangible consequences.
- Tangible consequences are those which can be quantitatively measured or mathematically demonstrated.
- Intangible consequences are those which cannot be quantitatively measured or mathematically demonstrated.
- Acceptability of a solution is very important.
- In all technical matters, the solution's quality is more important than its acceptability and in all human matters, the solution's acceptability is more important than its quality.

G. Converting the decision into effective action

- The next step is to translate the decision into action.
- A decision is not complete until someone has been assigned responsibility to carry it out.
- This requires the communicating the decision to the employees in clear terms.
- Failure to inform everyone can lead to unfortunate results.
  Ex. Consider a food company decided to launch a promotional campaign for its specialty item. The management carefully prepared the sales force and had the television ads ready. However they did not properly inform the production group. As a result, sufficient amounts of the product were not available to take full advantage of increased demand.

H. Follow-up of action

- In the final step, the action should be continuously followed up to ensure whether the decision is achieving its desired purpose and whether the assumptions upon which decisions was based are still valid.