Unit-I Nature and Function of Management

What is Management?

Management is a universal phenomenon. Every individual or entity requires setting objectives, making plans, handling people, coordinating and controlling activities, achieving goals and evaluating performance directed towards organizational goals. These activities relate to the utilization of variables or resources from the environment − human, monetary, physical, and informational.

1. Management is essentially the bringing together these resources within an organization towards reaching objectives of an organization. Under competitive economy and ever-changing environment, the quality and performance of managers determine both the survival as well as success of any business enterprise. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

Management Defined

2. Management has been defined by various authors/authorities in various ways. Following are few often-quoted definitions: Management guru, **Peter Drucker**, says the basic task of management includes both marketing and innovation.

According to him, **“Management is a multipurpose organ that manages a business and manages managers, and manages workers and work.”**

Harold Koontz defined management as **“the art of getting things done through and with people in formally organized groups.”** In the words of

Henry Fayol, **“To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control”.**

2. All these definitions place an emphasis on the attainment of organizational goals/objectives through deployment of the management process (planning, organizing, directing, etc.) for the best use of organization’s resources. Management makes human effort more fruitful thus effecting enhancements and development.

3. Management is the process of planning, organizing, leading, and controlling an organization’s human, financial, physical, and information resources to achieve organizational goals in an efficient and effective manner.

The principles of management are the means by which a manager actually manages, that is, get things done through others—individually, in groups, or in organizations.

Formally defined, the principles of management are the activities that **“plan, organize, and control the operations of the basic elements of [people],**

materials, machines, methods, money and markets, providing direction and coordination, and giving leadership to human efforts, so as to achieve the predetermine objectives of the enterprise."

<u>Nature/ Characteristics of Management</u>

1) **Management is a universal activity:** Management is not applicable to business undertakings only. It is applicable to political, social, religious and educational institutions also. Management is necessary when group effort is required.
2) **Management is a group activity:** Management comes into existence only when there is an group activity towards a common objective. Management is always concerned with group efforts and not individual efforts. To achieve the goals of an organisation management plans, organises, co-ordinates, directs and controls the group effort.
3) **Management is a system of authority:** Authority means power to make others act in a predetermined manner. Management makes a standard set of rules and procedure to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.
4) **Management involves decision-making:** Management implies making decisions regarding the organisation and operation of business in its different dimensions. The success or failure of an organisation can be judged by the quality of decisions taken by the managers. Therefore, decisions are the key to the performance of a manager.
5) **Management implies good leadership:** A manager must have the ability to lead and get the desired course of action from the subordinates. According to R. C. Davis, "management is the function of executive leadership everywhere". Management of the high order implies the capacity of managers to influence the behaviour of their subordinates.
6) **Management is dynamic and not static:** The principles of management are dynamic and not static. It has to adopt itself according to social changes.
7) **Management draws ideas and concepts from various disciplines:** Management is an interdisciplinary study. It draws ideas and concepts from various disciplines like economics, statistics, mathematics, psychology, sociology, anthropology etc.
8) **Management is goal oriented:** Management is a purposeful activity. It is concerned with Notes the achievement of pre-determined objectives of an organisation.
9) **Different levels of management:** Management is needed at different levels of an organization namely top level, middle level and lower level.
10) **Need of organisation:** There is the need of an organisation for the success of management. Management uses the organisation for achieving pre-determined objectives.
11) **Management need not be owners:** It is not necessary that managers are owners of the enterprise. In joint stock companies, management and owners (capital) are different entities.

12) **Management is intangible:** It cannot be seen with the eyes. It is evidenced only by the quality of the organisation and the results, i.e., profits, increased productivity etc.

Is Management an Art or a Science?

Like any other discipline such as law, medicine or engineering, managing is an art – at least that is what most people assume. Management concepts need to be artistically approached and practiced for its success. It is understood that managing is doing things artistically in the light of the realities of a situation. If we take a closer look at it, Management, when practiced, is definitely an art but its underlying applications, methods and principles are a science. It is also thinks that management is an art struggling to become a science.

Management as an Art

The personal ingenious and imaginative power of the manager lends management the approach of an art. This creative power of the manager enriches his performance skill. In fact, the art of managing involves the conception of a vision of an orderly whole, created from chaotic parts and the communication and achievement of this vision. Managing can be called "art of arts" because it organizes and uses human talent, which is the basis of every artistic activity.

Management as a Science

Management is a body of systematized knowledge accumulated and established with reference to the practice and understanding of general truth concerning management. It is true that the science underlying managing is not as accurate or comprehensive as physical sciences (such as chemistry or biology) which deal with non-human entities.

The involvement of the human angle makes management not only complex but also controversial as pure science. Nevertheless, the study of the scientific elements in management methodologies can certainly improve the practice of management.

Management as a Science and Art

6. Science urges us to observe and experiment a phenomenon, while art teaches us the application of human skill and imagination to the same. In order to be successful, every manager needs do things effectively and efficiently. This requires a unique combination of both science and art. We can say that the art of managing begins where the science of managing stops. As the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

What is “Science”?

Science may be described, “as a systematic body of knowledge pertaining to an area of study and contains some general truths explaining past events or phenomena”.

What is “Art”?

‘Art’ refers to “the way of doing specific things; it indicates how an objective is to be achieved.” Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

Management is both a Science as well as an Art

Management is both a science as well as an art. The science of management provides certain general principles which can guide the managers in their professional effort. The art of management consists in tackling every situation in an effective manner. As a matter of fact, neither science should be over-emphasised nor should be the art discounted; the science and the art of management go together and are both mutually interdependent and complimentary. Management is thus a science as well as an art. It can be said that-”the art of management is as old as human history, but the science of management is an event of the recent past.”

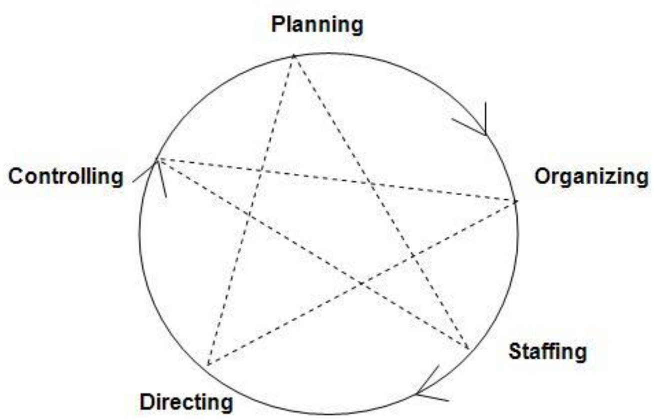
6. Science teaches us to know while art teaches us to do. In order to be successful, managers have to know and do things effectively and efficiently. This requires a unique combination of both science and art of managing in them. It may, however, be said that the art of managing begins where the science of managing stops. Since the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

FUNCTIONS OR PROCESS OF MANAGEMENT

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

Different experts have classified functions of management. According to George & Jerry, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ’POSDCORB’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. Planning, Organizing, Staffing, Directing and Controlling.



1. **Planning**

activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc. It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is an intellectual

2. **Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O’Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed the structure”. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. **Directing**

It is that part of managerial function which starts the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.
Motivation- means inspiring, stimulating or encouraging the sub-ordinates with passion to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. **Controlling**

It implies measurement of accomplishment against the standards and correction of variation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Comparison of actual performance with the standards and finding out deviation if any.
d. Corrective action.

Purpose of Management

No enterprise can run without management. Some people may say that the main purpose of management is to make a profit. For most business firms, an important purpose is the creation of a surplus. Management is to establish an environment in which people can accomplish organisational goals with the least amount of time, money, materials and personal dissatisfaction or in which they can achieve as much as possible of a desired goal with available resources

Management can greatly affect not only an organisation but also the socio-economic and political goals of a country. Improving economic and social standards of living and creating a better political environment are the real challenges before modern management. The achievement of socio-political and economic targets in Bangladesh will depend on whether or not the management of the country can efficiently handle and contain the course of current and future events in the social, political and economic arenas.

Management makes human effort more productive. It brings better equipment, plant, offices, products, services, and human relations to our society. Effecting improvements and progress is its chief purpose. There is no substitute for good management. It is an essential social process. It is charged with the responsibility of taking action that will make it possible for individuals to make their best contributions to group objectives. Management thus applies to small and large organisations, to profit and non-profit enterprises, to manufacturing as well as service industries. Effective managing is the concern of the corporation president, the hospital administrator, the government secretary, the football manager, the college principal and the university Vice-Chancellor.

Nature has given us enormous resources. Most of these resources require manage mental attention so that they can be used for the benefit of the society. Management is essential because it makes plans, directs employees and motivates them, co-ordinates the activities of all and ensures performance through control. It may so happen that an enterprise with a weak resource base may become successful with sound management.

Moreover, it is often heard that there are huge natural resources in countries like Bangladesh but it is due to the absence of proper management that they are being wasted. In many countries of Asia with a poor resource base, such as Japan, Singapore, Taiwan and the like, huge industrial development has not been possible without sound management.

In fact management is the most important of all resources. It is vital both at the micro and the macro level. It is essential for every enterprise, for every society, for every country. There is no disagreement among scholars regarding the importance of management in using the factors of production for achieving desired results. Scientific and technological developments can bear no fruit without management. Thus the contemporary thrust is more on managerial development, than on scientific research. The use of information technology and computer software in management is an added impetus to the overriding importance of management. The only hope of countries with meager natural and/or economic resources, is to improve management and ensure better life for their people.

The chief purpose of management is to achieve organizational policy objectives by ensuring unhindered progress and improvement of the organization through the maximum utilization of its resources to the best possible results.

Management draws up plans, and motives and guides the employees for their best performance within the limits of the organization's available resources. It is sound management rather than only the resources that can keep the development process on track.

Importance of Management

(1) **Achieving Group Goals** : Management creates team work and coordination in the group. Managers give common direction to the individual efforts in achieving the overall goals of the organization.
(2) **Increases Efficiency** : Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.
(3) **Creates Dynamic organization** : Management helps the employees to overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.
(4) **Achieving personal objectives** : Management helps the individuals to achieve their personal goals while working towards organizational objectives.
(5) **Development of Society** : Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technology.

Scope or Branches of Management:

Management is an all pervasive function since it is required in all types of organized effort. Thus, its scope is very large.
The following activities are covered under the scope of management:
(i) Planning,
(ii) Organization
(iii) Staffing.
(iv) Directing,
(v) Coordinating, and
(vi) Controlling.

The operational aspects of business management, called the branches of management, are as follows:
1. Production Management
2. Marketing Management
3. Financial Management.
4. Personnel Management and
5. Office Management.

1. **Production Management:**

Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management is that branch of management which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.

It is a very important field of management for every production activity which has not been hammered on the anvil of effective planning and regulation will not reach the goal, it will not meet the customers and ultimately will force a business enterprise to close its doors of activities which will give birth to so many social problems.
Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. **Marketing Management:**

Marketing is a sum total of physical activities which are involved in the transfer of goods and services and which provide for their physical distribution. Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.
It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants with a stress on profitability that ensures the optimum use of the resources available to the enterprise. Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.

3. **Financial Management:**

Finance is viewed as one of the most important factors in every enterprise.
Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:
(i) Estimation of capital requirements;
(ii) Ensuring a fair return to investors;
(iii) Determining the suitable sources of funds;
(iv) Laying down the optimum and suitable capital
Structure for the enterprise:
(i) Co-coordinating the operations of various departments;
(ii) Preparation, analysis and interpretation of financial statements;
(iii) Laying down a proper dividend policy; and
(iv) Negotiating for outside financing.

4. **Personnel Management:**

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most essential factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

Managerial functions of personnel management include:
(i) Personnel planning;
(ii) Organizing by setting up the structure of relationship among jobs, personnel and physical factors to contribute towards organization goals;
(iii) Directing the employees; and
(iv) Controlling.
The operating functions of personnel management are:
(i) Procurement of right kind and number of persons;
(ii) Training and development of employees;
(iii) Determination of adequate and equitable compensation of employees;
(iv) Integration of the interests of the personnel with that of the enterprise; and
(v) Providing good working conditions and welfare services to the employees.

5. **Office Management:**

The concept of management when applied to office is called ‘office management’. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments

The success of a business depends upon the efficiency of its administration. The efficiency of the administration depends upon the information supplied to it by the office. The volume of paper work in office has increased in these days due to industrial revolution, population explosion, increased interference by government and complexities of taxation and other laws.

Harry H. Wylie defines office management as “the manipulation and control of men, methods, machines and material to achieve the best possible results—results of the highest possible quality with the expenditure of least possible effect and expense, in the shortest practicable time, and in a manner acceptable to the top management.”

SIGNIFICANCE OF MANAGEMENT

The significance of management in business activities is relatively greater.The inputs of labour, capital and raw material never become productive without the catalyst of management. It is now widely recognized that management is an important factor of growth of any country. The following points further highlight the significance of management :
1. **Achievements of group goals** : Management makes group efforts more effective. The group as a whole cannot realise its objectives unless and until there is mutual co-operation and co-ordination among the members of the group. Management creates team work and team spirit in an organization by developing a sound organization structure. It brings the human and material resources together and motivates the people for the achievement of the goals of the organization.
2. **Optimum utilization of resources** : Management always concentrates on achieving the objectives of the enterprise. The available resources of production

are put to use in such a way that all sort of wastage and inefficiencies are reduced to a minimum. Workers are motivated to put in their best performance by the inspiring leadership. Managers create and maintain an environment conducive to highest efficiency and performance. Through the optimum use of available resources, management accelerates the process of economic growth.

3. **Minimisation of cost** : In the modern era of intense competition, every business enterprise must minimise the cost of production and distribution. Only those concerns can survive in the market, which can produce goods of better quality at the minimum cost. A study of the principles of management helps in knowing certain techniques used for reducing costs. These techniques are production control,
budgetary control, cost control, financial control, material control, etc.

4. **Change and growth** : A business enterprise operates in a constantly changing environment. Changes in business environment create uncertainties and risk and also produce opportunities for growth. An enterprise has to change and adjust itself in the everchanging environment. Sound management moulds not only the enterprise but also alters the environment itself to ensure the success of the business. Many of the giant business corporations of today had a humble beginning and grew continuously through effective management.

5. **Efficient and smooth running of business** : Management ensures efficient and smooth running of business, through better planning, sound organization and effective control of the various factors of production.

6. **Higher profits** : Profits can be enhanced in any enterprise either by increasing the sales revenue or reducing costs. To increase the sales revenue is beyond the control of an enterprise. Management by decreasing costs increases its profits and thus provides opportunities for future growth and development.

7. **Provide innovation** : Management gives new ideas, imagination and visions to an enterprise.

8. **Social benefits** : Management is useful not only to the business firms but to the society as a whole. It improves the standard of living of the people through higher production and more efficient use of scarce resources. By establishing cordial relations between different social groups, management promotes peace and prosperity in society.

9. **Useful for developing countries** : Management has to play a more important role in developing countries, like India. In such countries, the productivity is low and the resources are limited. It has been rightly observed, "There are no under-developed countries. They are only under-managed ones".

10. **Sound organization structure** : Management establishes proper organization structure and avoids conflict between the superiors and subordinates. This helps in the development of spirit of cooperation and mutual understanding, and a congenial environment is provided in the organization.

Principles of Management (Contribution of Henry Fayol)

Henry Fayol is considered the father of modern theory of general and
industrial management. He divided general and industrial management into six groups:

1. Technical activities: Production, manufacture, adaptation.
2. Commercial activities: Buying, selling and exchange.
3. Financial activities: Search for and optimum use of capital.

4. Security activities: Protection of property and persons.
5. Accounting activities: Stock-taking, balance sheet, cost, and statistics.
6. Managerial activities: Planning, organisation, command, co- ordination and control. These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upper levels of managers.The process of management as an ongoing managerial cycle involving planning, organising, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice.

Even today, management process has general recognition. Fayol's Principles of Management: The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organisation. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organisation can work smoothly without discipline - preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organisation must received orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organisation must work together to accomplish common objectives.
6. **Subordination of Personal Interest** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and non-financial incentives.
8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organisation from the top to the bottom. Scalar denotes steps.
10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organisation and efficient management.
11. **Equity:** An organisation consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work anddemonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organisation and management.
13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organisation. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

Levels of Management

Levels of Management

Top Level of Management

The Top Level Management consists of the Board of Directors (BOD) and the Chief Executive Officer (CEO). The Chief Executive Officer is also called General Manager (GM) or Managing Director (MD) or President. The Board of Directors are the representatives of the Shareholders, i.e. they are selected by the Shareholders of the company. Similarly, the Chief Executive Officer is selected by the Board of Directors of an organisation.

The main role of the top level management is summarized as follows :-

1. The top level management determines the objectives, policies and plans of the organisation.
2. They mobilises (assemble and bring together) available resources.
3. The top level management does mostly the work of thinking, planning and deciding. Therefore, they are also called as the Administrators and the Brain of the organisation.
4. They spend more time in planning and organising.
5. They prepare long-term plans of the organisation which are generally made for 5 to 20 years.

6. The top level management has maximum authority and responsibility. They are the top or final authority in the organisation. They are directly responsible to the Shareholders, Government and the General Public. The success or failure of the organisation largely depends on their efficiency and decision making.
7. They require more conceptual skills and less technical Skills.

Middle Level of Management

The Middle Level Management consists of the Departmental Heads (HOD), Branch Managers, and the Junior Executives. The Departmental heads are Finance Managers, Purchase Managers, etc. The Branch Managers are the head of a branch or local unit. The Junior Executives are Assistant Finance Managers, Assistant Purchase Managers, etc. The Middle level Management is selected by the Top Level Management.

The middle level management emphasize more on following tasks :-

1. Middle level management gives recommendations (advice) to the top level management.
2. It executes (implements) the policies and plans which are made by the top level management.
3. It co-ordinate the activities of all the departments.
4. They also have to communicate with the top level Management and the lower level management.
5. They spend more time in co-ordinating and communicating.
6. They prepare short-term plans of their departments which are generally made for 1 to 5 years.
7. The middle Level Management has limited authority and responsibility. They are intermediary between top and lower management. They are directly responsible to the chief executive officer and board of directors.
8. Require more managerial and technical skills and less conceptual skills.

Lower Level of Management

The lower level management consists of the Foremen and the Supervisors. They are selected by the middle level management. It is also called Operative / Supervisory level or First Line of Management.

The lower level management performs following activities :-

1. Lower level management directs the workers / employees.
2. They develops morale in the workers.
3. It maintains a link between workers and the middle level management.
4. The lower level management informs the workers about the decisions which are taken by the management. They also inform the management about the performance, difficulties, feelings, demands, etc., of the workers.
5. They spend more time in directing and controlling.
6. The lower level managers make daily, weekly and monthly plans.

7. They have limited authority but important responsibility of getting the work done from the workers. They regularly report and are directly responsible to the middle level management.
8. Along with the experience and basic management skills, they also require more technical and communication skills.

Managerial Skill

Fayol, a famous management theorist and father of modern management identified three basic skills - technical skill, human skill and conceptual skill. Diagnostic skills and analytical skills are prerequisites to managerial success.

Technical skill: Technical skill is the ability to use the specialised knowledge, procedures and techniques of a field of activities. Accountants, engineers, surgeons all have their technical skills necessary for their respective professions. Most managers, especially at the lower and middle levels, need technical skills for effective task performance.

Technical skill enables a person to accomplish the mechanics of performing a particular job. This may be knowing how to maintain accounts, how to conduct a financial audit, how to construct a building or how to perform in the operation theatre.

Human skill: Human skill is the ability to work with, understand, and motivate other people as individuals or in groups. Managers spend much of their time interacting with people both inside and outside their organisations. We may recall here Mintzberg's explanation of how top (and middle) managers spend their time: 59 percent in meetings, 6 percent on the phone, and 3 percent on tours.All of these managerial activities involve other people. Human skill includes the ability to work with others and get co-operation from people in the work group. This means, for example, knowing what to do and being able to communicate ideas and beliefs to others and understanding what thoughts others are trying to convey to the manager. Moreover, the manager with human knowledge and skill understands and recognises what views are brought to situations and in turn what adjustments in these views might be made as a result of working with associates. It is, however, interesting to note that not all managers exhibit good human (interpersonal) skill. Managers, who are harsh with their sub-ordinates, would simply tend to increase personal turnover; moreover, it becomes increasingly difficult to replace those who leave. The other things being equal, the manager who has good human skill is likely to be more successful than the one with poor human skill.

Conceptual skill: Conceptual skill is the ability to co-ordinate and integrate all of an organisation’s interests and activities. It requires having the ability to visualise the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole. Conceptual skills, in fact, depend on the manager’s ability to think in the abstract and to view the organisation in a holistic manner. Conceptualisation requires imagination, broad knowledge and mental capacity to conceive abstract ideas. Applying this requirement may involve suggesting a new product line for a company, introducing computer technology to the organisation’s operations or entering the international market. One example of conceptual skill may be that the managing director of a bank visualises the importance of better service for its clients which ultimately helps attract a vast number of clients and an unexpected increase in its deposits and profits.

Other Skills of Managers

Besides the skills discussed so far, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

Diagnostic skill: Successful managers are found to possess diagnostic skill. A manager can diagnose a problem in the organisation by studying its symptoms. For example, a particular division may be suffering from low productivity. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill. This problem might then be solved by transferring or training the supervisor.

Analytical skill: By analytical skill we mean the manager's ability to identify the key variables in a situation, see how they are interrelated, and decide which ones should receive the most attention.This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation. Analytical skill is similar to decision-making skill, but analysis may not involve making an actual decision. For example, when selecting a site for a new plant, a manager may analyse the advantages and disadvantages of several sites and make a recommendation to the board of directors, which in fact takes the ultimate decision.
In short, diagnostic skill enables managers to understand a situation, whereas analytical skill helps determine what to do in the given situation.

Managerial Effectiveness

There are many management functions in business and, therefore, the manager is responsible for planning, directing, monitoring and controlling the people and their work.
1. An Operations Manager is responsible for the operations of the company.
2. A Night Manager is responsible for the activities that take place at night.
According to Reitz, Managers generally work for long hours, their days are broken up into a large number of brief and varied activities, they interact with large number of different people, they do little reflective planning and spend most of their time engaged in oral communication. They spend a lot of time getting, giving and processing information.
According to Stoner, managerial work is characterised by the following things:
1. **Managers work with and through other people**: Managers work with internal (subordinates, supervisors, peers) as well as external groups (customers, clients, suppliers, union representatives etc.) in order to achieve corporate goals. They integrate individual efforts into teamwork. They plan things, create a structure, motivate people and achieve goals.
2. **Managers are mediators:** People working in an organisation do not always agree on certain things, say, the establishment of goals and the means to achieve them. At the corporate headquarters of a large bank, managers may think about expanding into merchant banking, leasing, credit card business, whereas at the

branch level, people may focus on expanding deposits by venturing deep into rural areas. Unless such differences are resolved quickly, employees find it difficult to think and act like a well-knit group. Their morale, too, may suffer. Managers often step in to put things in order, clear the paths to goals, clarify things to people, put out fires and meet goals.

3. **Managers are politicians:** Managers must develop healthy relationships with various groups in order to achieve the goals smoothly. They may have to nurture groups and join certain coalitions within a company. They often draw upon such relationships to win support for their proposals and decisions.

4. **Managers are diplomats:** Managers serve as official representatives of their work units at organisational meetings. They may represent the entire organisation as well as a particular unit in dealing with external groups (clients, customers, government officials, etc.).

Managers are symbols: Managers are symbols of corporate success or failure. They get Notes appreciation when they succeed and get depreciated when they fail. In short, they represent corporate as well as employee aspirations. They are shown the door when these aspirations do not materialise.

Managers, obviously, are there to utilise corporate resources in the best possible way.More popular and widely accepted is the classification given by Henry Fayol. According to him, the managerial functions may be broadly classified into five categories: planning, organising, directing, staffing and controlling. Managers perform these functions within the limits established by the external environment and must consider the interests of such diverse groups as government, employees, unions, customers, shareholders, competitors and the public.

Management And Administration

Management is all about plans and actions, but the administration is concerned with framing policies and setting objectives. The manager looks after the management of the organization, whereas administrator is responsible for the administration of the organization. Management focuses on managing people and their work.

The line of demarcation between administration and management is very thin and blur. They may seem alike, but they are very different from each other. **Administration** means a process of effectively administering the entire organization. **Management** is an act of getting work done through others. We often get confused between them easily. However, the primary distinguishing point between the two is that management is answerable to the administration.

Comparison Chart

Basis for Comparison	Management	Administration
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive

Basis for Comparison	Management	Administration
Area of operation	It works under administration.	It has full control over the activities of the organization.
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And How will it be done?	What should be done? And When is should be done?
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Focus on	Managing work	Making best possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.

Management as a Professional

The professionals enjoy high status in every society. Individuals desire to join a profession like medicine, chartered accountant, engineering and law. There has been a growing trend towards professionalisation of management, primarily, because of the desire of business leaders for social status and recognition.

A profession may be defined as an occupation backed by specialized knowledge and training, whose code of conduct is regulated by a professional body and which is duly recognized by the society. The basic requirements of a profession are as follows:

1. **Knowledge:** A substantial and expanding body of knowledge and information in the concerned field.
2. **Competent Application:** Skilled and sensible utilization of knowledge in the solution of complex and important problems. This requires education and training in the specified field.
3. **Professional Body:** Regulation of entry into the profession and conduct of members by the representative body.
4. **Self Control:** An established code of conduct enforced by the profession’s membership.
5. **Social Responsibility:** Primarily motivated by the desire to serve others and the community.
6. **Community Approval:** Recognition of professional status by the society.

Does management satisfy the tests of a profession? The application of the above tests or criteria to management is examined below:

1. **Specialized Knowledge:** There exists a rapid expanding body of knowledge underlying the field of management. Since the beginning of this century, many thinkers on management have contributed to the field of management. Now we have systematic body of knowledge that can be used for the development of

managers. Management is widely taught in the universities and other educational institutions as a discipline.

2. **Competent Application-Education and Training:** MBAs are generally preferred for managerial jobs, though MBA degree is not necessary to enter this profession. Persons with degree in psychology, engineering, etc., can also take up managerial jobs. Thus, there are no standard qualifications for managers.

3. **Managerial Skills can't be Learnt by Trial and Error Method**: To be a successful manager, it is essential to acquire management skills through formal education and training. Many institutes of management have been functioning in India and other countries which offer MBA and other courses in management.

4. Professional **Body**: For the regulation of any profession, the existence of a representative body is a must.

Social Responsibility: Managers of today recognize their social responsibilities towards Notes customers, workers and other groups. Their actions are influenced by social norms and values. That is why, managers enjoy a respectable position in the society as is the case with doctors, chartered accountants, etc.

6. **Society's Approval**: The managers of modern organisations enjoy respect in the society. There is typically a positive correlation between a manager's rank and his status in the organisation where he is working. This status tends to affect the manager's status outside the organisation. Thus, community approves management as a profession.

It seems presumptuous to classify management as a profession. By all the bench marks, the professionalisation of management is still far from complete.

Professional Management VS Family Management

It would be rate more to professionally run business management over family run businesses management. we can argue about the professionals that they will always look for their growth but let me remind you family run business management are at a very high risk of family's internal politics. Overtime the issues like who will control what and who will be next successor leads to a situation where whole organization can become a battle field. A classic case from India can of Reliance. Look at the way Mukesh and Anil Ambani fought over control…had this been a professionally run business here the situations would not have developed. we should not professionals as greedy people who just want to earn huge salaries but should look them highly skilled and experienced people who run the businesses keeping shareholders interest at top priority. Even in the family owned business Management his main intention is to improve the business n success towards the business. Where his /her involvement and improvement is very less in this family owned business management.

In this present generation professional business is very much competitive and every one will be looking forward towards their self achievement and they will come up with their innovative ideas. Finally the main goal to gain more profit individually.

Professional run business' are more likely to take risks hence they have higher gains (or losses) but a family run business is less likely to take a risks they generally have more stable profits. Moreover in family run business' there is more centralization of authority which makes it extremely strict and burdensome, whereas in professional run ones the authority is more decentralized hence

decisions are taken faster. Getting on a logical conclusion, issue is actually with lack of professionalism in family run business management… professional managers should be appointed in family run businesses.. so as to increase the goodwill of the business as it perhaps gives a right path leading to success, such managers provide proper working techniques as he is professionally trained… and then aside all these matters, he is master in making the strategies for an effective business..!!!
Although it will always remain a topic of discussion that which one is better family owned businesses management vs professionally run businesses management but end decision has to be of investor.

Management of Internetional Business

The management of business operations for an organization that conducts business in more than one country. International management requires knowledge and skills above and beyond normal business expertise, such as familiarity with the business regulations of the nations in which the organization operates, understanding of local customs and laws, and the capability to conduct transactions that may involve multiple currencies. The various categories of international business models include export/import businesses, independent agents, licensing and franchising agreements, direct investment in established foreign companies, joint ventures, and multinational corporations (MNC).

For this managers must be trained in facets of international business that are not normally the concern of domestic managers. On a broad scale, these issues include knowledge of other countries' infrastructures, business practices, and foreign trade dynamics. In addition, international managers must be knowledgeable about international exchange rates and the legal-political and sociocultural traits of other countries.
Equally important to the international manager are sociocultural elements. These include the attitudes, values, norms, beliefs, behaviors, and demographic trends of the host country. Learning these things frequently requires a good deal of self awareness in order to recognize and control culturally specific behaviors in one's self and in others. International managers must know how to relate to and motivate foreign workers, since motivational techniques differ among countries. They must also understand how work roles and attitudes differ. For instance, the boundaries and responsibilities of occupations sometimes have slight differences across cultures, even if they have equivalent names and educational requirements. Managers must be familiar to such cultural in order to function effectively. Moreover, managers must keep perspective on cultural differences once they are identified and not subscribe to the fallacy that all people in a foreign culture think and act alike.

PLANNING

Concept-

Planning is deciding in advance what to do, how to do when to do, and who is to do it. Planning bridges the gap from where we are to where we want to go. It is one of the basic managerial functions. Planning involves setting objectives and developing appropriate courses of action to achieve these objectives. Thus, it is closely connected with creativity
and innovation.

Importance of Planning :-

1. Planning provides directions: By stating in advance how work is to be done planning provides direction for action. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its goals efficiently.
2. **Planning reduces the risk of uncertainty** :- Planning is an activity which enables a manager to look ahead, anticipate change, consider the impact of change and develop appropriate responses.
3. **Planning reduces wasteful activities :-** Planning serves as the basis of coordinating the activities and efforts of different departments and individuals whereby useless and redundant activities are minimised.
4 **Planning promotes innovative ideas :** Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of concrete plans.
5. **Planning facilitates decision making :** Under planning targets are laid down. The manager has to evaluate each alternative and select the most viable option.
6. Planning establishes standards for controlling :- Planning provides the standards against which the actual performance can be measured and evaluated. Control is blind without planning. Thus planning provides the basis for control.

Limitations of Planning :-

1. **Planning leads to inflexibility :** Planning discourages individual initiative & creativity. The managers do not make changes according to changing business environment. They stop taking or giving suggestions and new ideas. Thus detailed planning may create a rigid framework in the organisation.
2. **Planning may not work in dynamic environment :** Planning is based on anticipation of future happenings and since future is uncertain and dynamic therefore, the future anticipations are not always true.
3. **Planning involves huge costs :** When plans are drawn up, huge cost is involved in their formulation.
4. **Planning is time consuming :** Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.
5. **Planning does not guarantee success :** The success of an enterprise is possible only when plans are properly drawn and implemented. Sometimes managers depend on previously tried successful plans, but it is not always true that a plan which has worked before will work effectively again.

Nature/Characteristics of Planning

1. **Planning is goal-oriented:** All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.
2. **Planning is a primary function:** Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities.
3. **Planning is all-pervasive:** Planning is a function of all managers. It is needed and practised at all managerial levels. Planning is inherent in everything a manager does. Managers have to plan before launching a new business.
4. **Planning is a mental exercise:** Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking.
5. **Planning is a continuous process:** Planning is continuous. It is a never-ending activity.Once plans for a specific period are prepared, they are translated into action.
6. **Planning involves choice:** Planning essentially involves choice among various alternative courses of action.
7. **Planning is forward looking:** Planning means looking ahead and preparing for the future. It means peeping into the future, analysing it and preparing for it.
8. **Planning is flexible:** Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible.
9. **Planning is an integrated process:** Plans are structured in a logical way wherein every lower-level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.
10. **Planning includes efficiency and effectiveness dimensions:** Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Planning Process :-

1. **Setting Objectives :** The first and foremost step is setting objectives. Objectives may be set for the entire organisation and each department.
2. **Developing premises :** Planning premises are the assumptions about the likely shape of events in future. It forecasts the obstacles, problems or limitations in the path of the effective planning because of which the plans may deviate. Planning premises supply relevant facts & information relating to future.
3**. Identifying alternative courses of action :-** Once objectives are set and premises are developed. Then the next step would be to act upon them. All the alterative courses of action should be identified.
4. **Evaluating alternative Courses :** The next step is to be weigh pros and cons of each alternative. Each course will have many variables which have to be weighed against each other.
5. **Selecting an alternative :-** After comparison and evaluation, the best alternative is chosen for reaching organisation objectives. On the basisof merits, demerits, resources and consequences, the best plan has to be adopted, which must be the most feasible, profitable and with least negative consequences.

6. **Implementing the plan :** Once the plans are developed they are put into action. Successful implementation of the plan ensures understanding and whole-hearted cooperation of all the employees.
7. **Follow up action :** To see whether plans are being implemented, activities are performed according to schedule. In case of any devitations, changes are made in the plans.

Strategic Plans

A strategic plan is an outline of steps designed with the goals of the entire organisation as a whole in mind, rather than with the goals of specific divisions or departments. Strategic planning begins with an organisation's mission.
Strategic plans look ahead over the next two, three, five, or even more years to move the organisation from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organisation. Top-level management develops the directional objectives for the entire organisation, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organisation becomes the framework and sets dimensions for the lower level planning.

Koontz has given some principles that make a plan Effective.
1. **Principle of contribution to objectives:** Every plan should help in the achievement of organisational objectives.
2. **Principle of primacy of planning:** Planning should precede all the other functions of a managerial process.
3. **Principle of pervasiveness of planning:** Planning should be pervasive in nature otherwise the functionaries might just not stick to the plan.
4. **Principle of flexibility:** By flexibility of a plan is meant its ability to switch gears, change direction to adapt to changing situations without incurring unnecessary costs.
5. **Principle of periodicity:** Plans should be integrated and interconnected in such a way as to achieve the stated objectives well in time.
6. **Principle of planning premises**: Every plan should be based on carefully considered assumptions, known as planning premises.
7. **Principle of limiting factor:** While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower, machinery, materials, management) should be recoginised and given due weightage.
When ignored, the critical factor would seriously impact the process of planning and make it impossible to achieve goals.

Types of Plan : -

A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met. The importance of developing plans is evident from the fact that there may be more than one means of reaching a particular goal. So with the help of logical plans, objectives of an organization could be achieved easily.

SINGLE USE PLAN

A Single use plan in a business refers to plan developed for a one-time project or event that has one specific objective. It applies to activities that do not recur or repeat. It is specifically designed to achieve a particular goal. Such plan is developed to meet the needs of a unique situation. The length of a single-use plan differs greatly depending on the project in question, as a single event plan may only last one day while a single project may last one week or months. For example, an outline for an advertising campaign. After the campaign runs its course, the short term plan will lose its relevance except as a guide for creating future plans.
Types of Single Use Plan : -

1) Program :- A program is a single use plan containing detailed statements about a project outlining the objectives, policies, procedures, rules, tasks, physical & human resources required to implement any course of action.
2. Budget :- A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

STANDING PLANS

Standing plans are used over and over again because they focus on organizational situations that occur repeatedly. They are usually made once and retain their value over a period of years while undergoing revisions and updates. That is why they are also called repeated use plans. For example, Businessman plans to establish a new business.
Entrepreneur drafts business plan before opening the doors to their business, and they can use their plan to guide their efforts for years into the future.

Types of Standing Plans : -
l. **Objective :** Objectives can be said to be the desired future position that the management would like to reach.
2. **Strategy :** A strategy refers to a future decision defining the organizations' direction and scope in the long run.
3. **Policy :** Policies are general statements that guide thinking or channelize energies towards a particular direction. "We don't sell on Credit" is the example of sales policy.
4. **Procedure** : Procedures are routine steps on how to carry out activities.
5. **Rule** : Rules are specific statement that tell what is to be done and what not to be done. For example 'No Smoking' is a rule.
6**. Method** : Methods are standardized ways or manner in which a task has to be performed considering the objectives.

There are many different types of plans and planning.
Strategic planning1 involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in their environment. Strategic planning has a long time frame, often three years or more. Strategic

planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization's mission, which is its fundamental reason for existence. An organization's top management most often conducts strategic planning.

Tactical planning is intermediate-range (one to three years) planning that is designed to develop relatively concrete and specific means to implement the strategic plan. Middle-level managers often engage in tactical planning.

Operational planning generally assumes the existence of organization-wide or subunit goals and objectives and specifies ways to achieve them. Operational planning is short-range (less than a year) planning that is designed to develop specific action steps that support the strategic and tactical plans.

Strategic Planing in The Indian Industry

A strategic plan is a document that delineates the goals of a company or an organization and establishes the actions that are necessary to achieve those goals. It encompasses all critical elements developed in the planning stage to strengthen the operations and ensure a directed endeavor among all employees. Nowadays Corporate is receiving great importance by Indian companies. Many large Companies have established separate corporate planning division and have formalised the planning Process. Many Company have now came to realise on the bases of their SWOT(Strength and weakness, opportunities and Threats) analyses that they should concentrate on their core competence and should not spread themselves too thin by getting into more business than they can handle. Notable among these organization are the Videocon group, The Thapars, Wirpol India LTD.,Mafatlals, Hindustan Lever LTD. And Larsen and Turbro. Several bank in India across region are wanting to merge in a bid to create large market for themselves. Joint ventures are also becoming the order of the day. Some notable joint venture of recent year are shriram-Honda, Ford-Mahindra, Telco-Benz, Pal-Peugot, Hindustan Motors-Mitsubishi and government of India-Suzuki.

On the other hand, there are also cases of diversification and demergers. Example of diversified firms in India include Reliance Industries(Petrochemical, textiles, power Telecommunication), Nagarjun Group(Power, Fertiliser, Finance), Tata(Paper, Tea, Automobilies, Steel, Telecommunication, Software, Consultancy) and Aditya Birla Group(Cement, Textiles, Rayon, Palm oil). Examples of demergers include demerger of Ciba Specialties from Hindustan Ciba-Geigy Ltd., demerger of Sandoz India Ltd. from the old Sandoz and demerger of Aptech from Apple Industries Ltd.

Decision Making

Nature and Significance of Decision Making

The word "decision" is derived from the Latin words "de ciso" which means, "cutting away" or to come to a conclusion. A decision is the selection of a course of action. According to Felex M Lopez, "a decision represents a judgement; a final resolution of a conflict of needs, means goals; and a commitment to action made in the face of uncertainty, complexity or even irrationality." According to Philip Marvin, "decision-making may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It

is a process made up of four continuous interrelated phases: explorative, speculative(aiternative), evaluative and selective."
Thus, decision-making is the process by which the decision-maker tries to jump over the obstacles placed between his current position and the desired future position.

Decision-making is the core of planning.

A manager faced with two or more feasible alternatives must decide which one to select. Decision-making is, therefore, the process of identifying a set of feasible alternatives and choosing a course of action from them. Weihrich and Koontz defined decision-making as the selection of a course of action from among alternatives. According to them, “it is the core of planning. A plan cannot be said to exist unless a decision - a commitment of resources, direction or reputation - has been made.”

Decision-making is a step in planning but it occupies a major part and the core of planning. The process leading to a decision is completed in four phases:

(1) planning,

(2) identifying alternatives,

(3) evaluating alternatives in terms of the goal required, and

(4) choosing an alternative, that is, making a decision.

Decision making is an intermediate-sized set of activities. It begins with problem identification and ends with choice making. Decision-making is necessary when a manager, faced with a large number of returned products due to defective production, (1) identifies three possible causes for the defective products, (2) concludes that the best way to deal with this problem is to have a quality-control inspector examine each product, and (3) selects an applicant to be appointed for the new quality-control job. Problem-solving refers to the broad set of activities that involves finding and implementing a course of action to correct an unsatisfactory situation. It includes not only decision-making but also the implementation, monitoring and maintenance of the decision.
Step involve in Planning Process

Step 1
Recognizing the need for a decision

Step 2
Generating alternative solutions

Step 3
Evaluating the alternatives

Step 4
Choosing an alternative

Step 5
Implementing the chosen alternative

Step 6
Monitoring and maintaining the solution

Rationality(Reasonableness) in Decision-Making

A very important issue in the subject of decision-making is rationality. What is rationality? When an effective decision is made rationally? Ideally people acting or deciding rationally must have a clear understanding of alternatives by which goals can be reached under existing circumstances and limitations. Also they must have the information and the ability to analyse and evaluate alternatives in the light of the objective set forth. Finally, they must have the willingness to come to the best solution by choosing the alternative that most effectively satisfies the accomplishment of the goal.

Rationality may be defined as an ability and willingness to follow a reasoned, unemotional and logical approach in perceiving the objectives and in evaluating the means through which objectives are to be achieved. In an objectively rational context, the decision-maker has a clear idea of the problem, opportunities and alternatives backed by complete knowledge about them. In the real world, it is very difficult to make decisions in a completely rational manner. Rationality is an ideal concept as rational decisions are very perfect and without any fault. But in real-life situations, several practical considerations are likely to interfere with the attainment of an ideal condition. In fact, rationality shows how the decisions should be made and not how decisions are actually made.

Rational behaviour in decision-making is possible if alternatives are clearly understood and analysed in the light of the objective and context, and information is adequate.

Decision environment:

Every decision is made within a decision environment, which is defined as the collection of information, alternatives, values, and preferences available at the time of the decision. An ideal decision environment would include all possible information, all of it accurate, and every possible alternative. However, both information and alternatives are constrained because the time and effort to gain information or identify alternatives are limited. The time constraint simply means that a decision must be made by a certain time. The effort constraint reflects the limits of manpower, money, and priorities. (You wouldn't want to spend three hours and half a tank of gas trying to find the very best parking place at the mall.) Since decisions must be made within this constrained environment, we can say that the major challenge of decision-making is uncertainty and a major goal of decision analysis is to reduce uncertainty. We can almost never have all information needed to make a decision with certainty, so most decisions involve an undeniable amount of risk. The fact that decisions must be made within a limiting decision environment suggests two things. First, it explains why hindsight is so much more accurate and better at making decisions that foresight. As time passes, the decision environment continues to grow and expand. New information and new alternatives appear–even after the decision must be made. Armed with new information after the fact, the hindsighters can many times look back and make a much better decision than the original maker, because the decision environment has continued to expand.

The second thing suggested by the decision-within-an-environment idea follows from the above point. Since the decision environment continues to expand as time passes, it is often advisable to put off making a decision until close to the deadline.

Common Difficulties in Decision Making

Some common difficulties faced in making decisions and implementing them isas follows.

- **Incomplete information**

This is a major problem for every manger. Lack of information leaves a manageradrift in a sea of uncertainty. Not only this, most decisions involve too many complexvariables for one person to be able to examine all of them fully.

- **Un-supporting Environment**

The environment – physical and organizational – that prevails in an enterpriseaffects both the nature of decisions and their implementation. If there is all roundgoodwill and trust and if the employees are properly motivated, the manager isencouraged to take decisions with confidence. On the other hand, under the oppositecircumstances he avoids decision-making.

- **Non-Acceptance by Subordinates**

If subordinates have a stake in the decision or are likely to be strongly affectedby it, acceptance will probably be necessary for effective implementation. On the otherhand, subordinates may not really care what decision is reached. In such situations, acceptance is not an issue. Democratic leadership style which encourages subordinatesto suggest, criticize, make recommendations or decide upon policies or projects is aneffective device for gaining their acceptance and commitment.

- **Ineffective Communication**

Another important problem in decision-making is the reflective communicationof a decision. This makes implementation difficult. The manager should, therefore, takecare to communicate all decisions to the employees in clear, precise and simplelanguage.

- **Incorrect Timing**

In decision-making, the problem is not merely of taking a correct decision. It is also of selecting an appropriate time for taking the decision. If the decision is correct butthe time is inopportune, it will not serve any purpose. For example, if the manager wantsto decide about introducing a new product in the market, he should take the decision at acorrect time. Otherwise, he may lose the market to his competitors.