# Principles of Management

### Unit-I: Fundamentals of management

**The concept- meaning, nature and scope, importance of management. principles and functions of management- thoughts of management- managerial roles and skills- levels of management.**

The concept of management has acquired special significance in the present competitive and complex business world. Efficient and purposeful management is absolutely essential for the survival of a business unit. Management concept is comprehensive and covers all aspects of business. In simple words, management means utilizing available resources in the best possible manner and also for achieving well defined objectives. It is a distinct and dynamic process involving use of different resources for achieving well defined objectives. The resources are: men, money, materials, machines, methods and markets. These are the six basic inputs in management process (six M's of management) and the output is in the form of achievement of objectives. It is the end result of inputs and is available through efficient management process.

The word management refers to all the tasks and activities undertaken by the people in an organization for the successful achievement of goals and targets. It involves continuous activities such as planning, organizing, leading and monitoring physical, financial and information resources. Any organization’s success depends on the strength of those in management positions

Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading, coordinating and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the development and manipulation of human resources, financial resources, technological resources and natural resources. Management is essential for the conduct of business activity in an orderly manner. It is a vital function concerned with all aspects of working of an enterprise.

### Definition

According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups".

According to Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control".

Management is a process of planning, decision making, organizing, leading,

motivation and controlling the human resources, financial, physical, and

information resources of an organization to reach its goals efficiently and effectively

Management is the process of planning, organizing, leading, and controlling resources to achieve organizational goals and objectives.

According to Peter Drucker, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work".

Management is needed for planning business activities, for guiding employees in the right direction and finally for coordinating their efforts for achieving best/most favorable results. Efficient management is needed in order to achieve the objectives of business activity in an orderly and quick manner. Planning, Organising, Coordinating and Controlling are the basic functions of management. Management is needed as these functions are performed through the management process. Management is needed for effective communication within and outside the Organisation. Management is needed for motivating employees and also for coordinating their efforts so as to achieve business objectives quickly.

Efficient management is needed for success, stability and prosperity of a business enterprise. Modem business is highly competitive and needs efficient and capable management for survival and growth

Management is both an art and a science. The above-mentioned points clearly reveals that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

### NATURE OF MANAGEMENT

### Management—as a systematic process—helps identify a group of people who carry out particular activities, thereby improving an organization’s efficiency and effectiveness. Here are the salient features that highlight the nature of management in businesses.

### Universality

### Management is a universal process and is essential for all organizations. If there is human activity, there is management. The principles of management are applicable irrespective of the size and location of a business. The universal principle also means that managerial skills can be developed over time and they’re transferrable.

### Social Process (forms of social interaction that occur repeatedly.)

### The nature of management involves organizing people in groups and managing them. It requires different levels of empathy, understanding and dynamism. In addition to taking care of social and emotional well-being, the process involves developing, motivating and retaining employees.

### Purposeful

### Management always has an end goal of achieving an organization’s targets, mission and vision. The success of management can be measured by the extent to which an organization achieves its objectives. There is an underlying purpose of increasing efficiency and productivity. The objectives should be realistic, attainable and time-bound.

### Intangible

### There is no physical proof of the management process. Its success can be measured by the outcomes of its efforts. For example, lower turnover rates indicate there’s high employee engagement and job satisfaction. This further shows that managers or individuals in managerial roles have taken proactive steps toward improving employee retention.

### Coordination

### Management coordinates all the functions of an organization by bringing together different teams and departments. Without coordination, there would be ambiguity and chaos. Therefore, by getting people on the same page, there is communication and minimized duplication of efforts.

### Creativity

### Management is made up of individual components and is a composite process. Every independent component contributes in unique ways. For example, group efforts encourage creative ideas and imagination. The sum of individual efforts creates synergy and something new is born.

### Dynamic Function : always active or changing.

### Management should be dynamic at its core because businesses are often influenced by economic, social, political and technological factors. With room for flexibility and adaptability, individuals can perform well even in stressful situations. There should be adequate training and facilitation within the process.

### Nature of Management:  Management is Goal-oriented.  Management is Universal.  Management is an Integrative Force.  Management is a Social Process.  Management is Multidisciplinary.  Management is Continuous Process.  Management is Intangible.  Management is an Art as well as Science.

### SCOPE OF MANAGEMENT

### Clearly defined responsibilities, concepts, theories and principles related to managerial functions define the scope of management. Let’s look at the various aspects of this.

### Financial Management:

### Every enterprise prioritizes financial management because finances can get extremely tricky if not managed properly. Effective financial management ensures there are fair returns to stakeholders, proper estimation of capital requirements and laying down optimal capital. It includes preparation and examination of financial statements, creating proper dividend policies and negotiations with external stakeholders.

### Marketing Management:

### The scope of management in marketing extends to planning, organizing, directing and controlling activities in the marketing department. Identifying customer requirements is crucial for providing business solutions. When a manager is fully aware of the benefits of the products and/or services the organization provides, they achieve better results. Marketing management ensures that available resources are properly utilized and the best possible outcomes are achieved.

### Personnel Management:

### Personnel management—as the name suggests—deals with personnel or individuals in a business environment. It includes the recruitment, transfer, termination, welfare and social security of employees. This aspect of management is extremely important as employees form teams and teams drive an organization’s goals. Individual productivity also contributes to overall efficiency. Without attending to employee needs and wants, an organization is likely to struggle.

### Production Management:

### This type of management refers to the process of creating utilities. When you convert raw materials to finished products and oversee the planning and regulation, you’re engaging in production management. Without production, there isn’t any finished good or service and without it, organizations can’t generate interest or profits. The final product must fulfill customer requirements. The process includes quality control, research and development, plan layout and simplification.

### Office Management:

### This includes controlling and coordinating all office activities to achieve an organization’s goals and targets. For example, an administration’s efficiency impacts a business significantly. The more organized the departments and responsibilities are, the more effective an organization is.

### IMPORTANCE OF MANAGEMENT

The management process is a series of continuous functions of arranging, organising, directing, and assembling performed by managers. Management increases cooperation and coordination among the workers in an organisation. Significance of management are:

**Optimum utilisation of resources:** Management arranges and utilises physical and manual resource productivity by selecting the best alternative use in industry from various benefits, leading to maximum utilisation of limited resources. Management uses skills, professions, knowledge, and services at an adequate level to avoid the wastage of resources.

**Helps in achievement of goals:**It provides direction to the individuals working in the group by motivating team spirit to achieve goals. Management arranges production and resources and organises them in a goal-oriented method to achieve the goals. So management and leadership are managing and containing the factors that save cost, effort, and time. 

**Reduces cost:** Management helps get maximum profit with minimum input through planning. It uses physical, financial, and manual resources efficiently that provides the best results, and using this manner also helps in cost reduction.

**Establishes equilibrium:** Management helps the organisation survive in a changing environment. The initial coordination of the organisation should keep changing with the change in the external environment. Management helps the organisation adapt to changes in both demands in the market and changes in the needs of society. Management establishes equilibrium and is irresponsible for the growth and survival of the organisation.

**Essential prosperity of society:** Efficient management means better economical production, which implies help in increasing the welfare of people. A difficult task can be completed without any wastage of resources with the help of good management. Management increases profit potential, ultimately leading to profitable business and society.

* **FUNCTIONS OF MANAGEMENT**

### 1.Planning

### It specifies the objective to be achieved in the future and the steps required to achieve them. Planning is the most essential function of management. It is concerned with thinking in advance about what to do and who is going to do it. It is concerned with the certain determination of a future course of action to achieve the desired result. Planning bridges the gap between the initial point to the destination to reach. Selection of objectives, policies, and procedures are involved in planning. The essential elements of planning are decision-making and problem-solving.

### For example, in Ram’s organization, the objective is the production and sale of shoes. He has to decide quantities, variety, and colour, and then allocate resources for their purchase from different suppliers. Planning cannot avoid or stop problems, but it can anticipate them and prepare emergency plans to deal with them if and when they occur.

### 2.Organizing:

### Organising is the management function of allotting duties, grouping various activities, establishing authority, and allocating resources necessary to attain the specific plan. Once the plans are formulated, the organising function reviews the activities and resources needed to be applied to the plan. It resolves the activities and resources needed. Organising decides who will perform a particular task, and where and when it will be done. It affects the grouping of the necessary tasks into departments or work units so that they can be managed well. Therefore there is an organisational hierarchy so that reporting is smooth within the organisation. The efficiency of operations and the effectiveness of results can be achieved only if there is a proper organisational technique. The nature and type of organisation structure depend upon the size and nature of the enterprise.

### 3.Staffing

The main purpose of staffing is to put right man on right job. 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 un the structure”. Staffing involves:

* + [Manpower Planning](http://www.managementstudyguide.com/manpower-planning.htm) (estimating man power in terms of searching, choose the person and giving the right place).
  + Recruitment, Selection & Placement.
  + [Training & Development](https://www.managementstudyguide.com/training-and-development.htm).
  + [Remuneration](https://www.managementstudyguide.com/employee-remuneration.htm).
  + [Performance Appraisal](https://www.managementstudyguide.com/performance-appraisal.htm).
  + Promotions & Transfer.

Staffing refers to the process of hiring and developing the required personnel to fill in various positions in the organisation. It is that part of the management process, which is concerned with recruitment, selection, placement, allocation, conservation, and development of human resources. It is a very important aspect of management as it ensures that the organisation has the right number and right kind of people, with the right qualification at the right places, at the right times and that they are performing the right thing. It is also known as the human resource function.

### 4.Directing

Directing is that component of the management process which ensures that the members of an organisation work efficiently and effectively for achieving the desired objective. It involves leading, influencing, instructing, guiding, and inspiring employees to perform and achieve the predetermined objectives. The two important components of directing are motivation and leadership. Communicating effectively and clearly with supervising employees at work is also a part of directing. It involves issuing orders and instructions to subordinates, overseeing people at work, and creating a work environment wherein the employees may perform to the best of their abilities. To bring out the best from the employees, a manager needs to direct them through praise and humbly criticize them.Direction has following elements:

* + Supervision
  + [Motivation](https://www.managementstudyguide.com/what_is_motivation.htm)
  + [Leadership](https://www.managementstudyguide.com/leadership_basics.htm)
  + [Communication](https://www.managementstudyguide.com/understanding-communication.htm)

### 5.Controlling

It implies measurement of accomplishment against the standards and correction of deviation 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 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”. It enables the manager to detect errors and defects in the course of work and to take corrective actions whenever needed. It also provides proper direction to work in conformity with the plan of action or pre-determined standards Therefore controlling has following steps:

1. Establishment of standard performance.
2. Measurement of actual performance.
3. Comparison of actual performance with the standards and finding out deviation if any.
4. Corrective action.

### LEVELS OF MANAGEMENT

The chain of superior-subordinate relationships is known as the Levels of Management. The term Levels of Management refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1.Top level / Administrative level

2.Middle level / Executory

3.Low level / Supervisory / Operative / First-line managers



### 1.Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

* 1. Top management lays down the objectives and broad policies of the enterprise.
  2. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
  3. It prepares strategic plans & policies for the enterprise.
  4. It appoints the executive for middle level i.e. departmental managers.
  5. It controls & coordinates the activities of all the departments.
  6. It is also responsible for maintaining a contact with the outside world.
  7. It provides guidance and direction.
  8. The top management is also responsible towards the shareholders for the performance of the enterprise.

### 2.Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

* 1. They execute the plans of the organization in accordance with the policies and directives of the top management.
  2. They make plans for the sub-units of the organization.
  3. They participate in employment & training of lower level management.
  4. They interpret and explain policies from top level management to lower level.
  5. They are responsible for coordinating the activities within the division or department.
  6. It also sends important reports and other important data to top level management.
  7. They evaluate performance of junior managers.
  8. They are also responsible for inspiring lower-level managers towards better performance.

### 3.Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

* 1. Assigning of jobs and tasks to various workers.
  2. They guide and instruct workers for day to day activities.
  3. They are responsible for the quality as well as quantity of production.
  4. They are also entrusted with the responsibility of maintaining good relation in the organization.
  5. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
  6. They help to solve the grievances of the workers.
  7. They supervise & guide the sub-ordinates.
  8. They are responsible for providing training to the workers.
  9. They arrange necessary materials, machines, tools etc for getting the things done.
  10. They prepare periodical reports about the performance of the workers.
  11. They ensure discipline in the enterprise.
  12. They motivate workers.
  13. They are the image builders of the enterprise because they are in direct contact with the workers.
* **ROLES OF MANAGER**

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows

### Interpersonal Roles

Interpersonal roles. This category includes the roles which concern interactions with people working inside and outside the organization. Basically, the majority of managers’ time is spent on interpersonal communication through which things get done. It can be further classified as follows

* Leader – Responsible for staffing, training, and associated duties.
* Figurehead – The symbolic head of the organization.
* Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

### Informational Roles

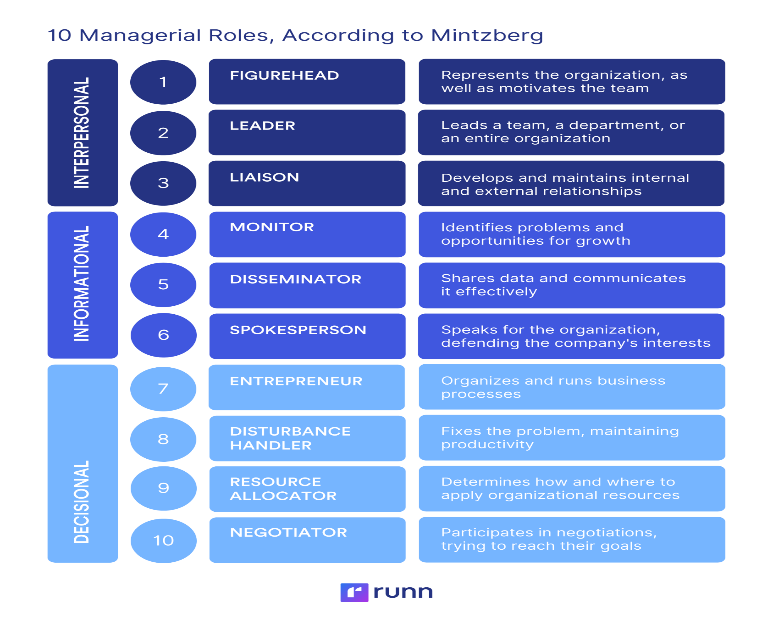
Informational roles. The informational category involves creating, receiving, or sharing information with coworkers. The manager collects information from sources both inside and outside the organization, processes it, and delivers it to those who need it.

* Monitor – Personally seek and receive information, to be able to understand the organization.
* Disseminator – Transmits all import information received from outsiders to the members of the organization.
* Spokesperson – On the contrary to the above role, here the manager transmits the organization’s plans, policies and actions to outsiders.

### Decisional Roles

Roles that revolve around making choices. Interpersonal roles are about dealing with people, and informational ones are about dealing with knowledge. Decisional roles are about action. By communicating with people and using information, managers make decisions that lead the organization to its goals

* Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
* Negotiator – Represents the organization at major negotiations.
* Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
* Disturbance Handler – Responsible for corrective action when the organization faces disturbances.



### MANAGERIAL SKILLS

### Management skills can be defined as certain attributes or abilities that an executive should possess in order to fulfill specific tasks in an organization.

There are four skills of managers are expected to have ability of:

 **Technical Skills**: These are the skills that involve the knowledge and proficiency in a specific field or discipline. Technical skills are typically related to the tasks and activities involved in a particular job or industry. For example, a software development manager needs technical skills in programming languages and software development methodologies.

 **Human Skills (Interpersonal Skills)**: These are the skills that involve the ability to work effectively with people and to build good relationships with them. Human skills include communication skills, empathy, teamwork, leadership, conflict resolution, and the ability to motivate others. Managers with strong human skills can lead and inspire their teams to achieve organizational goals.

 **Conceptual Skills**: These are the skills that involve the ability to think strategically, to understand the organization as a whole, and to recognize how the various parts of the organization interact and impact each other. Conceptual skills include critical thinking, problem-solving, decision-making, strategic planning, and the ability to see the big picture. Managers with strong conceptual skills can envision the future direction of the organization and develop plans to achieve long-term objectives.

### Design Skills:

It is the ability to solve the problems in ways that will benefit the enterprise. Managers must be able to solve the problems.

* **MANAGEMENT THOUGHT**

Management thought refers to the theory that guides management of people in the organization

* 1. **Early Management Thought**

**Adam Smith:** Adam smith was the earliest theorist to contribute to the idea of a need for a system in management. His book 'Wealth of Nations', published in 1776, brought about the initial belief that division of labor was the best way to increase productivity.

**Robert Owen:** Robert Owens, a theorist in the early 1800s, strongly believed that human resources were much more important than the focus on machinery that existed during this time. He felt that a proper management system could place the needs of the employees above all else.He was one of the early advocates for humane working conditions and educational opportunities for workers.

He encouraged the creation of a working environment where everyone would collaborate and create with increased productivity. As a part of his Management Theory and practice notes, his contributions to management improved the work conditions in factories.

**Charles Babbage**: Often referred to as the "father of the computer," Babbage also made contributions to management thought through his focus on specialization and division of labor. He carefully analysed the division of labour among workers, and measured their productivity. He believed that by breaking down tasks into simpler functions, productivity could be increased.

The Classical Approach incorporates three viewpoints: (1) Taylor’s Scientific Management (2) Fayol’s Administrative Management; and (3) Weber’s Ideal Bureaucracy (an organisation based on rules and regulations, formal relations, specialization, etc.). All the three concentrated on the structure of organisation for greater efficiency.

1. **Scientific Management Approach:**

Scientific management means application of scientific methods to the problems of management. Taylor found that the main cause of inefficiency and wastage in factories was ignorance on the part of both workers and management because of the use of Traditional, unscientific rules and rule of Taylor advocated scientific task setting based on time and motion study, standardization of materials, tools and working conditions, scientific selection and training of workers and so on. It is to be noted that Taylor’s thinking was confined to management at the **shop level**.

**Principles of Scientific Management**

F.W. Taylor’s scientific management is based on the following four principles

**1. Science, not Rule of Thumb**

Taylor focused on the scientific study and analysis of each and every element of a work to replace the old rule of thumb method or hit and trial method. Rule of thumb is not based on science or exact measurement. Scientific method is based on cause and effect, whereas rule of thumb was based solely on the discretion of managerial decisions. Taylor focused that managers should scientifically analyze each and every component of work. According to him, even a small work, like loading of iron pigs into boxcars can be scientifically done. Doing a work scientifically reduces wastage of time and resources and helps to achieve the target effectively and efficiently.

**2. Harmony, Not Discord**

Taylor recognized the class conflict that existed between the workers and managers. He emphasized that there should be no conflict between the workers and managers. Both of them should realize the importance of each other and should work together for organizational goals. In order to achieve this harmonious relation, he focused on ‘Mental Revolution’, which means that workers and managers should transform their thinking. In such a situation, management aims at providing better working environment for the employees, and sharing the gains of the company, etc., and workers should avoid going on strikes and work hard to the best of their ability. This principle is clearly visible in the case of Japanese work culture. There is complete openness between the workers and management. If workers are not satisfied with the management, they wear a black badge and work for more than the normal working hours.

**3. Cooperation, Not Individualism**

According to this, there should be cooperation between management and workers instead of individualism. This principle is an extension of Principle ‘Harmony, Not Discord‘. Both management and workers should realize that they need each other. There should be cooperation between them, and competition should be replaced by cooperation. For achieving this principle, management should welcome the constructive ideas and suggestions of the workers. The workers should be praised and rewarded for the suggestions given if their suggestions were helpful. Workers should be taken into consideration while taking important decisions. On the other hand, workers should avoid unreasonable demands and strikes and should work effectively and efficiently to achieve organizational goals.

**4. Development of Workers to their Greatest Efficiency and Prosperity**

Taylor focused on the efficiency of workers. According to him, every organization should follow the scientific method of selection of workers, and each worker should be scientifically selected. Then they should be assigned work according to their mental, physical and intellectual capabilities. To increase efficiency, training should be provided. This increase in efficiency will be beneficial for both workers and management.

**Techniques of Scientific Management**

Taylor suggested the following techniques of scientific management:

**1.Functional Foremanship:** According to this technique, the work of supervision is divided into several specialized foremen. Taylor believes that one foreman is not an expert in all aspects of work. Therefore, each worker should be supervised by several foremen. Taylor suggested that 8 specialists out of these 4 will be responsible for looking after the planning work, and the other four will be responsible to supervise and executing of work.

**2. Standardization and Simplification of Work:** Standardization means fixing standards for everything. To attain standard production, the standard of performance is established for the workers. Standardization of work means standard set for material, machine method, and condition of work. Simplification refers to eliminating unnecessary varieties, sizes, and grades of the product. It aims at eliminating unnecessary varieties, sizes and dimensions.

**3. Work-Study:** Work-study means systematic and critical assessment of all the operational functions in the organization. The main objective of the work-study is to improve efficiency by making optimum utilization of resources.

**4. Differential Price Wage System:** This is a system in which efficient and inefficient workers are paid at different rates. According to Taylor, financial incentives act as a motivator. So, Taylor developed the concept of a differential piece wage system. In this technique, incentives are directly linked with productivity.

**5. Mental Resolution:** It means a total change in the attitude of workers and management towards one another from competition to cooperation. It requires that management should create suitable working condition for workers, and workers should do their work with full devotion.

* **14 PRINCIPLES OF MANAGEMENT**

Henry Fayol, also known as the Father of Modern Management Theory, gave a new perception on the concept of management. Henry Fayol developed fourteen principles of management out of his practical experience. These principles are universal in character and applicable to all types of organisations

1. Division of work: This is the principle of specialization which is detailed by economists as an important to efficiency in the utilization of labour. Fayol goes beyond shop labour to apply the principle to all kinds of work, managerial as well as technical.

2. Authority and responsibility: In this principle, Fayol discovers authority and responsibility to be linked with the letter, the consequence of the former and arising from the latter.

3. Discipline: This discipline denotes “respect for agreements which are directed at achieving obedience, application, energy and the outward marks of respect”. Fayol declares that discipline requires good superiors at all levels, clear and fair agreement, and judicious application of penalties.

4.Unity of command: This is the principle that an employee should receive orders from one superior only.

5. Unity of direction: Fayol asserted that unity of direction is the principle that each group of activities having the same objective must have one head and one plan. As distinguished from the principle of unity of command, Fayol observes unity of direction as related to the functioning of personnel.

6. Subordination of individual interest to general interest: In any group, the interest of the group should supersede that of the individual. When these are found to differ, it is the function of management to reconcile them.

7. Remuneration of personnel: Fayol recognizes that salary and methods of payment should be fair and give the utmost satisfaction to worker and boss.

8. Centralization: Fayol principle of centralization refers to the extent to which authority is concentrated or dispersed in an enterprise. Individual circumstances will determine the degree of centralization that will give the best overall yield.

9. Scalar chair: Fayol believe of the scalar chair as a line of authority, a ‘Chain of Superiors” from the highest to the lowest ranks and held that, while it is an error of subordinate to depart ‘needlessly’ from lines of authority, the chain should be short-circuited when scrupulous following of it would be detrimental.

10. Order: Breaking this principle into ‘Material order’ and ‘Social Order’, Fayol thinks of it as the simple edge of “a place for everything (everyone), and everything (everyone) in its (his) place”. This is a principle of organization in the arrangement of things and persons.

11. Equity: Fayol perceives this principle as one of eliciting loyalty and devotion from personnel by a combination of kindliness and justice in managers dealing with subordinates.

12. Stability of tenure of personnel: Finding that such instability is both the cause and effect of bad management, Fayol indicated the dangers and costs of unnecessary turnover.

13. Initiative: Initiative is envisaged as the thinking out and execution of a plan. Since it is one of the “Keenest satisfactions for an intelligent man to experience”, Fayol exhorts managers to “Sacrifice Personal Vanity” to permit subordinates to exercise it.

14. Esprit de corps: This is the principle that ‘union is strength’ an extension of the principle of unity of command. Fayol here emphasizes the need for teamwork and the importance of communication in obtaining it.

1. **The human relations period**

The human relations movement was born from the Hawthorne studies, which Elton Mayo and Fritz Roethlisberger conducted from 1924 to 1932. Initially, the studies focused on how physical conditions, like lighting and other aspects of your work environment, affected workers’ productivity. However, the studies found that one of the most significant factors influencing employee performance was whether they were being observed by others.

**Theory X and theory Y**

Theory X and Theory Y are two contrasting theories of management and motivation developed by Douglas McGregor in his 1960 book The Human Side of Enterprise. They represent different views on employee motivation and management style.

**Theory X Assumptions:**

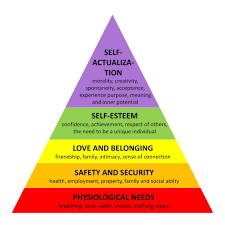
* **Dislike of Work:** Employees inherently dislike work and will avoid it if possible.
* **Lack of Ambition:** Workers are primarily motivated by monetary rewards and have little ambition.
* **Need for Control:** Because workers dislike work and lack ambition, they need to be closely supervised and controlled.
* **Directive Management:** Management must be authoritarian and directive to ensure tasks are completed.

**Theory Y Assumptions:**

* **Enjoyment of Work:** Work can be as natural as play or rest if the conditions are right.
* **Self-Motivation:** Employees are motivated by more than just money; they seek fulfillment and self-development.
* **Capacity for Self-Direction:** Given the right conditions, people will self-direct and control their own behavior to achieve organizational goals.
* **Creativity and Innovation**: Workers are capable of creativity and can contribute significantly to problem-solving.

**Maslow’s Hierarchy of Needs**

Back in 1943, in his paper “A Theory of Human Motivation“, a humanist psychologist named Abraham Maslow proposed a theory that he called the Hierarchy of Needs. Maslow believed that we humans all have needs that must be satisfied, from the most basic needs to the most complex.



**Physiological Needs**

These are the basic, essential needs for human survival. They include air, water, food, shelter, sleep, and reproduction.

**Safety Needs**

Once physiological needs are met, individuals seek safety and security. This includes physical safety, financial security, health, and protection from accidents and illness.

**Love and Belongingness Needs**

After safety needs are satisfied, individuals seek social connections. This includes relationships, friendships, intimacy, and a sense of belonging within groups or communities.

**Esteem Needs**

With social connections established, individuals seek self-esteem and esteem from others. This includes feelings of accomplishment, recognition, respect, and a sense of self-worth.

**Self-Actualization Needs**

At the top of the hierarchy is self-actualization, which involves realizing one's full potential and seeking personal growth, creativity, and self-fulfillment

### BUREAUCRATIC MANAGEMENT

Bureaucratic management is a structured and formal approach to management that emphasizes a clear hierarchy, standardized procedures, and detailed rules and regulations. This management style is characterized by a rigid organizational structure where authority and responsibilities are clearly defined.

* **ADMINISTRATIVE MANAGEMENT**

This theory focuses on principles that could be used by managers to coordinate the internal activities of organizations. Henry Fayol, also known as the ‘father of modern management theory’ gave a new perception of the concept of management. He introduced a general theory that can be applied to all levels of management and every department. The Fayol theory is practised by the managers to organize and regulate the internal activities of an organization. He concentrated on accomplishing managerial efficiency.

• Henri Fayol developed theory of management. According to him, the business operations of an organization could be divided into 6 activities.

• Technical – producing & manufacturing products.

• Commercial – buying, selling & exchange.

• Financial – search for & optimal use of capital.

• Security – protecting employees & property.

• Accounting – recording & taking stack of costs, profits & liabilities, maintaining balance sheets & compiling statistics.

• Managerial – planning, organizing, commanding, coordinating & controlling.

Limitations of Bureaucratic & Administrative Management

• Weber’s theory destroyed individual creativity & flexibility to respond to complex changes in the global environment.

• Classical theory ignored important aspects of organizational behaviour.

• Does not deal with problems of leadership, motivation, power or informal relations.

• Failed to consider impact of external & internal environment upon employee behaviour in organizations.

### Unit-II: Planning & Decision making

**Nature and importance of planning- steps in planning process- Types of plans.**

**Types of decisions – steps in decision making process– decision tree analysis – Management by Objective (MBO).**

Planning is the fundamental management function, which involves deciding beforehand, what is to be done, when is it to be done, how it is to be done and who is going to do it. Planning is a blueprint of the course of action to be followed in the future. It is also a mental exercise that requires imagination, foresight, and sound judgment. It is thinking before doing. It is an intellectual process which lays down an organisation’s objectives and develops various courses of action, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

Planning is nothing but thinking before the action takes place. It helps us to take a peep into the future and decide in advance the way to deal with the situations, which we are going to encounter in future. It involves logical thinking and rational decision making.

According to Koontz and O’Donnel, “Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go”

Planning is the continuous managerial process of anticipating and forecasting the future. environment of the business organization, the formulation of the long term and short term goals. to be achieved and selecting the strategies for their realization.

Planning is also a management process, concerned with defining goals for a company's future direction and determining the missions and resources to achieve those targets. To meet objectives, managers may develop plans, such as a business plan or a marketing plan.

The planning process provides the information that top management needs to make effective decisions about how to allocate the resources in a way that will enable the organization to reach its objectives. Productivity is maximized and resources are not wasted on projects with little chance of success.

**Importance of Planning**

Planning is definitely significant as it directs us where to go, it furnishes direction and decreases the danger of risk by making predictions. The significant advantages of planning are provided below:

* **Planning provides directions**: Planning assures that the objectives are certainly asserted so that they serve as a model for determining what action should be taken and in which direction. If objects are well established, employees are informed of what the company has to do and what they need do to accomplish those purposes.
* **Planning decreases the chances of risk**: Planning is an activity which permits a manager to look forward and predict changes. By determining in prior the tasks to be completed, planning notes the way to deal with changes and unpredictable effects.
* **Planning decreases overlapping and wasteful activities**: Planning works as the foundation of organising the activities and purposes of distinct branches, departments, and people. It assists in avoiding chaos and confusion. Since planning guarantees precision in understanding and action, work is conducted on easily without delays.
* **Planning encourages innovative ideas**: Since it is the primary function of management, new approaches can take the form of actual plans. It is the most challenging project for the management as it leads all planned actions pointing to growth and of the business.
* **Planning aids decision making**: It encourages the manager to look into the future and make a decision from amongst several alternative plans of action. The manager has to assess each option and pick the most viable plan.
* Helps in Selecting Feasible Alternatives: Planning helps the
* management in anticipating and being prepared for the future
* business conditions. Managers are able to evaluate options,
* estimate consequences and therefore exercise better judgement
* while selecting alternatives and choices with the help of proper
* plans. It also helps the organisation in selecting the best course for
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**Characteristics of Planning**

1. **Managerial function**: Planning is a first and foremost managerial function provides the base for other functions of the management, i.e. organising, staffing, directing and controlling, as they are performed within the periphery of the plans made.



1. **Goal oriented**: It focuses on defining the goals of the organisation, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.
2. **Pervasive**: It is pervasive in the sense that it is present in all the segments and is required at all the levels of the organisation. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning. Although the scope of planning varies at different levels and departments.
3. **Continuous Process**: Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn, considering the organisation’s present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, executed and followed by another plan.
4. **Intellectual Process**: It is a mental exercise at it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.
5. **Futuristic**: In the process of planning we take a sneak peek of the future. It encompasses looking into the future, to analyse and predict it so that the organisation can face future challenges effectively.
6. **Decision making**: Decisions are made regarding the choice of alternative courses of action that can be undertaken to reach the goal. The alternative chosen should be best among all, with the least number of the negative and highest number of positive outcomes.

Planning is concerned with setting objectives, targets, and formulating plan to accomplish them. The activity helps managers analyse the present condition to identify the ways of attaining the desired position in future. It is both, the need of the organisation and the responsibility of managers.

**Steps involved in Planning:**



**1.Analyzing opportunities**: An important part of the planning process is to be aware of the business opportunities in the firm’s external environment as well as within the firm. Once such opportunities get recognized the managers can recognize the actions that need to be taken to realize them. A realistic look must be taken at the prospect of these new opportunities and SWOT analysis should be done.

**2.setting objectives:** This is the second and perhaps the most important step of the planning process. Here we establish the objectives for the whole organization and also individual departments. Organizational objectives provide a general direction, objectives of departments will be more planned and detailed. Objectives can be long term and short term as well. They indicate the end result the company wishes to achieve.

**3.Developing premises:** Planning is always done keeping the future in mind; however, the future is always uncertain. So, in the function of management certain assumptions will have to be made. These assumptions are the premises. Such assumptions are made in the form of forecasts, existing plans, past policies, etc.

These planning premises are also of two types – internal and external. External assumptions deal with factors such as political environment, social environment, the advancement of technology, competition, government policies, etc. Internal assumptions deal with policies, availability of resources, quality of management, etc.

**4.Identifying Alternatives:** The fourth step of the planning process is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices. All of these alternative courses should be identified. There must be options available to the manager.

Maybe he chooses an innovative alternative hoping for more efficient results. If he does not want to experiment, he will stick to the more routine course of action. The problem with this step is not finding the alternatives but narrowing them down to a reasonable number of choices so all of them can be thoroughly evaluated.

**5.Examining Alternate Course of Action:** The next step of the planning process is to evaluate and closely examine each of the alternative plans. Every option will go through an examination where all their pros and cons will be weighed. The alternative plans need to be evaluated in light of the organizational objectives.

**6.Selecting the Alternative:** Finally, we reach the decision-making stage of the planning process. Now the best and most feasible plan will be chosen to be implemented. The ideal plan is the most profitable one with the least number of negative consequences and is also adaptable to dynamic situations.

The choice is obviously based on scientific analysis and mathematical equations. But a manager’s intuition and experience should also play a big part in this decision. Sometimes a few different aspects of different plans are combined to come up with the one ideal plan.

**7.Formulating Supporting Plan:** Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans. These secondary plans help with the implementation of the main plan. For example, plans to hire more people, train personnel, expand the office etc are supporting plans for the main plan of launching a new product. So, all these secondary plans are in fact part of the main plan.

**8.Implementation of the Plan:** Finally, we come to the last step of the planning process, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization. The tools required for such implementation involve the types of plans- procedures, policies, budgets, rules, standards etc.

9. Reviewing: The next step is to check performance through periodic reviews. Check continuously whether the executed plan is delivering the desired results. If not, modify and revamp the plan. By planning process, an organisation not only gets the insights of the future, but it also helps the organisation to shape its future. Effective planning involves simplicity of the plan, i.e. the plan should be clearly stated and easy to understand because if the plan is too much complicated it will create chaos among the members of the organisation. Further, the plan should fulfill all the requirements of the organisation.

### Limitations of Planning

1. Planning leads to rigidity
2. Planning may not work in a dynamic environment
3. Planning reduces creativity
4. Planning involves huge costs
5. Planning is a time-consuming process
6. Planning does not guarantee success

### Types of Plans

An organisation has to prepare a plan before making any decision related to business operation, or undertaking any project. Plans can be classified into several types depending on the use and the length of the planning period. Certain plans have a short term horizon and help to achieve operational goals. These plans can be classified into single-use plans and standing plans.

### Single-use Plan:

A single-use plan is developed for a one-time event or project. Such a course of action is not likely to be repeated in future, i.e., they are for non-recurring situations. The duration of this plan may depend upon the type of the project. It may span a week or a month. A project may sometimes be of only one day, such as, organising an event or a seminar or conference. These plans include budgets, programmes and projects. They consist of details, including the names of employees who are responsible for doing the work and contributing to the single-use plan. For example, a programme may consist of identifying steps, procedures required for opening a new department to deal with other minor work. Projects are similar to programmes but differ in scope and complexity. A budget is a statement of expenses, revenue and income for a specified period.

### Standing Plan:

A standing plan is used for activities that occur regularly over a period of time. It is designed to ensure that internal operations of an organisation run smoothly. Such a plan greatly enhances efficiency in routine decision-making. It is usually developed once but is modified from time to time to meet business needs as required. Standing plans include policies, procedures, methods and rules.

Policies are general forms of standing plans that specifies the organisations response to a certain situation like the admission policy of an educational institution. Procedures describe steps to be followed in particular circumstances like the procedure for reporting progress in production. Methods provide the manner in which a task has to be performed. Rules are very clearly stated as to exactly what has to be done like reporting for work at a particular time. Single-use and standing plans are part of the operational planning process.

There are other types of plans which usually are not classified as single use or standing plans.

**Strategic Planning**

Strategic planning involves decisions about the organisation’s long-term goals such as survival, growth etc. It involves setting long term objectives (by top management) and deciding about the judicious deployment of resources to achieve those objectives. Strategic planning, thus, is long-term in nature. It tends to be a top management responsibility. It requires looking outside the organisation for threats and opportunities. It also requires looking inside the organisation for finding out weaknesses and strengths.

Example: In business, it means how much money is going to be dedicated to a project, and by when you expect the project complete. In personal life, suppose you plan a wedding, it means deciding on the budget and the date.

**Tactical Planning**

Tactical planning translates broad strategic goals and plans into specific goals and plans that are relevant to a definite portion of the organisation, such as a functional area like marketing or human resources. Tactical plans focus on a major actions a unit must take to fulfil a part of the strategic planning. They are often focused on 1-2 years in the future. This is the implementation of the strategic plan stage combining your available resources

Example: In business, it means an analysis of resource combination, planning for obstacles, and general timetable. In personal life, for the wedding, it means, finding the place, developing a guest list, deciding on a menu and music.

**Operational Planning**

Operational planning identifies the specific procedures and processes required at lower levels of the organisation. Frontline managers usually focus on routine tasks such as production runs, delivery schedules, and human resource needs etc. They typically focus on the short term, usually 12 months or less. These plans are the least complex of the three and rarely have a direct effect or other plans outside of the department or unit for which the plan was developed.

Example: In business, it means engaging the team, develop and answer the who, what, when, where, how management questions. In personal life, for the wedding, it means, choosing the band, finding the caterer, decide on flowers, etc.

**Contingency Planning**

Definition: Contingency planning is like having a backup plan for when things go wrong. It’s preparing for unexpected twists and turns, much like having a spare tire in your car.

* **DECISION MAKING**

Decision making in management is the process of choosing best one among alternatives. It involves selecting the best action from various options by considering resources, outcomes, and personal preferences. This process includes identifying a situation, gathering and analyzing information, evaluating the pros and cons, and choosing a path forward.

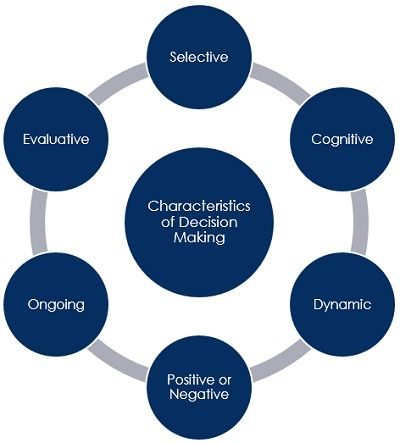
Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

Decision-making is perhaps the most important component of a manager's activities. It plays the most important role in the planning process. When the managers plan, they decide on many matters as what goals their organisation will pursue, what resources they will use, and who will perform each required task.

According to Andrew Smilagyi, “Decision making is a process involving information, choice of alternative actions, implementations, and evaluation that is directed to the achievement of certain stated goals.”

Decision making is described as the essence of a manager's job because it is utilized in all four managerial functions of planning, organizing, leading and controlling. Decisions, both large and small, are made every day by managers and they have the potential to affect others.

**Characteristics of Decision Making**



### Selective: It is a selective process in which the optimal alternative is opted, among the various alternatives. The selection of the alternative is done, only after evaluating all the alternatives against the objectives.

### Cognitive: As the decision making encompasses the application of intellectual abilities, such as analysis, knowledge, experience, awareness and forecasting, it is a cognitive process.

### Dynamic: It is a dynamic activity in the sense that a particular problem may have different solutions, depending upon the time and circumstances.

### Positive or Negative: A decision is not always positive, sometimes even after analysing all the points a decision may turn out as a negative one.

### Ongoing process: We all know that a company has perpetual succession and various decisions are taken daily by different levels of management to keep the firm going. These decisions are taken, keeping in mind the objectives of the organization.

### Evaluative: Evaluation of the possible alternatives using critical appraisal methods, is a part of the decision-making process.

### Goal-Oriented

### Decision-making is driven by the objectives an organization aims to achieve. It involves selecting choices that align with these predefined goals.

### Continuous Process

### The second feature of decision-making is, that it is a continuous process. It is not a one-time event but an ongoing, unceasing activity within organizations.

### Rational Process (based on or in accordance with reason or logic.)

### Decision-making follows a logical and systematic path. It involves gathering relevant information, assessing various options, and making choices based on reason and evidence. This rational approach ensures that decisions are well-founded and not arbitrary.

### Resource Utilization

### Effective decision-making requires optimizing the use of available resources, such as finances, time, and human capital. Managers must allocate these resources wisely to ensure that decisions lead to efficient and productive outcomes.

### Management Function

### Decision-making is a fundamental aspect of management. It plays a central role in guiding the organization, shaping its direction, and achieving its mission. Managers continually make decisions to guide the company toward success and adapt to changing circumstances.

### TYPE OF DECISIONS

Decisions taken by organization may be classified under various categories depending upon the scope, importance and the impact that they create in the organization. The following are the different types of decisions:

### Programmed and Non-programmed Decisions

Programmed decisions are normally repetitive in nature. They are the easiest to make. For example: making purchase orders, sanctioning of different types of leave, increments in salary, settlement of normal disputes, etc. Managers in dealing with such issues of routine nature usually follow the established procedures. On the other hand, nonprogrammed decisions are different in that they are non-routine in nature. They are related to some exceptional situations for which there are no established methods of handling such things. For example: Issues related to handling a serious industrial relations problem, declining market share, increasing competition, problems with the collaborator, growing public hostility towards the organization fall in this category.

### Operational and Strategic Decisions

Operational or tactical decisions relate to the present. The primary purpose is to achieve high degree of efficiency in the company’s ongoing operations. Better working conditions, effective supervision, prudent use of existing resources, better maintenance of the equipment, etc., fall in this category. One the other hand, expanding the scale of operations, entering new markets, changing the product mix, shifting the manufacturing facility from one place to the other, striking alliances with other companies, etc., are strategic in nature. Such decisions will have far reaching impact on the organization.

Organizational and Personal Decisions

Decisions taken by managers in the ordinary course of business in their capacity as managers relating to the organizational issues are organizational decisions. For example: decisions regarding introducing a new incentive system, transferring an employee, reallocation or redeployment of employees etc. are taken by managers to achieve certain objectives. As against such decisions, managers do take some decisions which are purely personal in nature. However, their impact may not exactly confine to their selves and they may affect the organization also. For example: the manager‘s decision to quit the organization, though personal in nature, may impact for the organization.

### Individual and Group Decisions

It is quite common that some decisions are taken by a manager individually while some decisions are taken collectively by a group of managers. Individual decisions are taken where the problem is of routine nature, whereas important and strategic decisions which have a bearing on many aspects of the organization are generally taken by a group. Group decision making is preferred these days because it contributes for better coordination among the people concerned with the implementation of the decision

### THE DECISION-MAKING PROCESS IN 7 STEPS

The decision-making process is spreads out in three stages: identifying phase (opportunities, problem, and crises are recognized and relevant information is collected and problems are more clearly identified), development phase (alternative solutions to problems are generated and modified) and selection phase (alternative solutions to problems are generated and modified) and seven steps. The seven steps followed by the author (Litherland, N., 2013) are: defining the problem, identifying and limiting the factors, development of potential solutions, analysis of the alternatives, selecting the best alternative, implementing the decision and establishing a control and evaluation system.

### Identify the problem

The first step in the decision-making process is identifying the problem. To make a decision, you must first identify the problem you need to solve. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors. This process must, as a minimum, identify root causes, limiting assumptions, system and organizational boundaries and interfaces. First of all, managers must identify the problem. The problem has to be found and defined. Symptoms are identified and problems should be judged, symptoms are not problems. They are warning signs of problems. So, managers should search for symptoms for identification of problems. The first step needed in taking a decision is to have detected a difference between the current situation and the desired situation. This discrepancy, or problem, exerts pressure on the managing director, forcing him/her to take action, whether it is in such fields as company policy, deadlines, financial recession, or concerning future job evaluations, among other possibilities.

### Collect relevant information

Once you have identified your decision, it‘s time to gather the information relevant to that choice. After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative

courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

### Identify the alternatives

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying meeting a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

### Developing alternative solutions

After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems. In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action. Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization‘s wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

### Implementation of the decision

To gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose. After you‘ve ranked your options, you must choose the one that you think has the strongest chance of achieving your goal. In some instances, you can combine several options, but in most cases, there will be a clear-cut direction you want to take.

### Take action

Once you‘ve made your decision, act on it! Develop a plan to make your decision tangible and achievable. Use Lucid chart diagrams to plan the projects related to your decision, and then set the team loose on their tasks once the plan is in place.

### Review decision

Last and important step in the decision-making process is evaluating your decision for effectiveness. Follow- up enables to identify the shortcoming or negatives consequences of the decision. It provides valuable feed- back on which the decision may be reviewed or reconsidered.

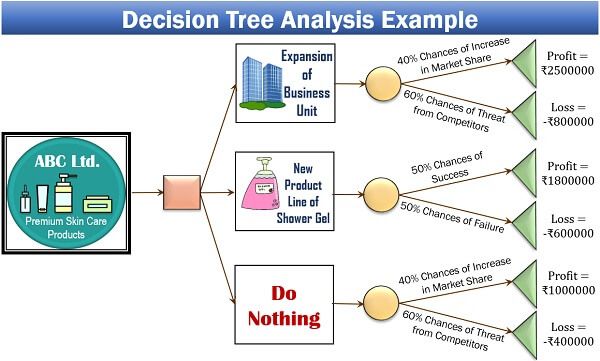
* **DECISION TREE:**

This is an interesting technique used for analysis of a decision. A decision tree is a sophisticated mathematical tool that enables a decision-maker to consider various alternative courses of action and select the best alternative. A decision tree is a graphical representation of alternative courses of action and the possible outcomes and risks associated with each action.

In this technique, the decision-maker traces the optimum path through the tree diagram. In the tree diagram the base, known as the ‘decision point,’ is represented by a square. Two or more chance events follow from the decision point. A chance event is represented by a circle and constitutes a branch of the decision tree. Every chance event produces two or more possible outcomes leading to subsequent decision points.

A decision tree is a tree-like model that acts as a decision support tool, visually displaying decisions and their potential outcomes, consequences, and costs. From there, the “branches” can easily be evaluated and compared in order to select the best courses of action.

Decision tree analysis is helpful for solving problems, revealing potential opportunities, and making complex decisions regarding cost management, operations management, organization strategies, project selection, and production methods.



* Decision node Indicates a decision to be made
* Chance node Shows multiple uncertain outcomes
* Alternative branches Each branch indicates a possible outcome or action

### MBO (MANAGEMENT BY OBJECTIVES)

Every institution or organisation is established for the purpose of achieving some objectives. An

individual who starts a business has the objective of earning profits. The objective may differ from one organisation to another organisation.

MBO (Management by Objectives) is a management system in which each member of the organisation effectively participates and involves oneself. This system gives full scope to the individual strength and responsibility. MBO harmonises the goal of an individual with the organisation’s goal. It creates self- control and motivates the manager into action before somebody tells him/her to do something. It is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization.

### Meaning and Definition of Objectives and MBO

Objectives are the expectation of end results for which an organisation is established and which it tries to achieve. According to Koontz and O’Donnel, “Objective is a term commonly used to indicate the endpoint of a management programme.”

According to George R. Terry, “A managerial objective is the intended goal which prescribes definite scope andsuggests direction to the efforts of a manager.”

Prof. Reddin defines MBO as, “The establishment of effective standards for managerial positions and the periodic conversion of those into measurable time bound objectives linked vertically and horizontally and with future planning.”

Management by objectives is a strategic approach to enhance the performance of an orgn. It is a process where the goals of the orgn defined and coveyed by the mgtto the members of orgn with the intention to achieve each objective. Mgt by results , goal mgt, mgt by planning

Management by objectives (MBO) is an approach suited for any type of business. It involves setting clear goals and expectations and aligning the goals of employees with the company objectives.

**Features of MBO**

The following are the features of MBO:

• Integrates the goals of an organisation and individuals, leading to an effective management system.

• Emphasises on the effective performance.

• Combines the long term and the short term goals.

• Constant attention to refine, modify and improve the goals with changing times.

• Recognises participation of employees in goal setting process.

• A high degree of motivation and satisfaction is available to employees through MBO.

• Tries to relate the organisation goals with society goals.

**Process of MBO**

**Define organization goals**: The first step in the MBO process is to establish goals for the organization as a whole. These goals should be aligned with the mission and vision of the organization and should be specific, measurable, achievable, realistic, and time-bound (SMART).

**Define employee objectives**: set SMART goals for each employee that align with the organization’s overall objectives. The employee should have a clear understanding of what is expected of them and how their performance will be evaluated.

**Monitor progress:** this step requires regular check-ins from managers to review the progress employees are making toward their goals, discuss any issues that have arisen, and make adjustments when necessary.

**Evaluate performance:** assess employee performance against the goals set, and provide feedback on their work. Performance should be evaluated using objective measures, such as sales targets, productivity levels, or customer satisfaction rates. Evaluating employee performance helps managers identify areas where employees are excelling, as well as areas where they need improvement.

reward achievements.

**Reward accomplishments:** by consistently recognizing and rewarding good performance, organizations can create a positive work culture where employees are motivated to achieve their goals and strive for excellence.

**Benefits of MBO**

**Improved performance:** by setting specific, measurable goals, employees have a clear understanding of what is expected of them and are more likely to perform well.

**Increased accountability:** MBO creates a sense of accountability for employee performance, as each employee is responsible for achieving their own specific goals.

**Better communication:** the MBO process promotes regular communication and collaboration between managers and employees, which can help improve working relationships.

**Better use of resources:** by setting clear goals and regularly monitoring progress, MBO can help ensure that resources are used efficiently and effectively.

**Improved motivation:** setting challenging but achievable goals and providing recognition and rewards for good performance can help motivate employees to achieve their goals.

**Limitations of MBO**

**Unanimous support from all levels of the organization is required**: The success of Management by Objectives hinges on senior management's complete support and acceptance. Many underlying issues may stall the process of unifying the goals of the ‘unequal’s,’ i.e. management and junior to mid-level employees. Cross-functional support is essential to overcome them.

**Time-consuming:** Integrating MBO is an investment that requires a concerted commitment to be beneficial. Additional time to define goals and evaluation processes is necessary, requiring meetings and paperwork that can infringe on daily work.

**Some aspects are difficult to quantify:** The emphasis on measuring everything that can be measured ignores non-measurable factors like teamwork, company culture and other interpersonal activities. That could lead to those factors being devalued and less practiced. The extreme focus on numbers and metrics could have an anxiety-inducing impact on employees who feel they have to be ‘always on’ and performing optimally.

**Emphasis on short-term goals:** Goals are usually set based on six to 12-month intervals, which often means long-term objectives aren’t treated with the same level of importance. With this being the case, it’s possible to lose sight and direction of overarching long-term goals.

**Inflexibility:** Fixation on particular goals could cause stakeholders to miss signs that the revision of a goal may be necessary or beneficial.

**Potential gaps in management’s skillset:** MBO, though deep-rooted in collaboration, rests heavily on the shoulders of leadership to create a sense of direction. If a manager lacks the skills, the potential benefits of the Management by Objectives model will not be realized.

**Integration issues - Limited application:** Seamless integration into an existing management system is unlikely, and businesses should be aware of this before attempting to do so.