TECHNOLOGICAL INNOVATION
MANAGEMENET & ENTREPRENEURSHIP – 21EC61

Module 1

Management & Planning

Management: Nature and Functions of Management – Importance, Definition, Management Functions, Levels of Management, Roles of Manager, Managerial Skills, Management & Administration, Management as a Science, Art & Profession.

Planning: Planning - Nature, Importance, Types, Steps and Limitations of Planning; Decision Making – Meaning, Types and Steps in Decision Making.

Nature & Functions of Management

Importance of Management

- **Management is a critical element in the economic growth of a country:** By bringing together the four factors of production (viz., men, money, material and machines), management enables a country to experience a substantial level of economic development. A country with enough capital, manpower and other natural resources can still be poor if it does not have competent managers to combine and coordinate these resources.
- **Management is essential in all organised efforts, be it a business activity or any other activity:** Principles of management are now universally used not just for managing business organisations; they are also applied to various other types of organisations, such as educational, social, military and government. The management of a big multinational company to a small partnership firm, follows the same general pattern.
- **Management is the dynamic, life-giving element in every organisation:** This element coordinates current organisational activities and plans future ones. It arbitrates disputes and provides leadership. In a competitive economy, the quality and performance of the management determine the success of an organisation; indeed, they determine its very survival.

Definition of Management

Mary Parker Follett definition: “Management is the art of getting things done through people."

A manager is one who contributes to the organisation's goals indirectly by directing the efforts of others-not by performing the task himself. On the other hand, a person who is not a manager makes his contribution to the organisation's goals directly by performing the task himself. Sometimes, a person in an organisation may play both these roles simultaneously. For example, a sales manager is performing a managerial role when he is directing his sales force to meet the organisation's goals, but when he himself is contacting a large customer and negotiating a deal, he is performing a non-managerial role.

Two weaknesses of Mary Parker Follett's definition are:

1. It uses the word "art" in defining management. Art deals with the application of knowledge. Management is not merely application of knowledge. It also involves acquisition of knowledge i.e., science, Management.
2. This definition does not throw light on the various functions of a manager.

George R. Terry definition: “Management is a process consisting of planning, organising, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources”. According to this definition, management is a process-a systematic way of doing things. The four management activities included in this process are: planning, organising, actuating and controlling.

Management Functions or the Process of Management

1. Planning: Planning is the function that determines in advance what should be done. It is looking ahead and preparing for the future. It is a process of deciding the business objectives and charting out the methods of attaining those objectives. In other words, it is the determination of what is to be done, how and where it is to be done, who is to do it and how results are to be evaluated.

The planning is a function which is performed by managers at all levels-top, middle and supervisory. Plans made by top management may cover periods as long as five or ten years and plans made by middle or first line managers, cover much shorter periods.

2. Organizing: To organize a business is to provide it with everything useful to its functioning: personnel, raw materials, tools, capital. All this may be divided into two main sections: Human organization and Material organisation.

The managers must design and develop a human organisation that will be able to carry out the plans successfully.

Staffing is an important function involved in building the human organisation. In staffing, the manager attempts to find the right person for each job. Staffing fixes a manager's responsibility to recruit and to ensure that there is enough manpower available to fill the various positions needed in the organisation. Staffing involves the selection and training of future managers and encouraging a highly disciplined approach to work among them, even if it requires taking punitive measures. It also necessitates a suitable system of compensation.

3. Directing: Directing involves three sub-functions namely communication, leadership and motivation.

Communication is the process of passing information and understanding from one person to another. Leadership is the process by which a manager guides and influences the work of his subordinates. Motivation means arousing desire in the minds of workers to give their best to the enterprise. It is the act of stimulating or inspiring workers. If the workers of an enterprise are properly motivated they will pull their weight effectively, give their loyalty to the enterprise, and carry out their task effectively.

Two broad categories of motivation are: financial and non-financial. Financial motivation takes the form of salary, bonus, profit-sharing, etc. while non-financial motivation takes the form of job security, opportunity of advancement, recognition, praise, etc.

4. Controlling: The manager must ensure that performance occurs in conformity with the plans adopted, the instructions issued and the principles established. This is the controlling function of management, and it involves three elements:

1. Establishing standards of performance
2. Measuring current performance & comparing it against the established standards
3. Taking action to correct any performance that does not meet those standards.

Two additional managerial functions are:

i. Innovating: Innovation means creating new ideas which may improve a product, process or practice. Thus, HUL's inexpensive single-use shampoo sachets, Eureka Forbes' direct-to-house sales force and ITC's e-Choupals, are examples of innovations in packaging, distribution and business models, respectively.

ii. Representing: A manager shall spend a part of his time in representing his organisation before various outside groups which have some stake in the organisation. These stake-holders can be government officials, labour unions, financial institutions, suppliers, customers, etc. A manager must win their support by effectively managing the social impact of his organisation.

Every function has two dimensions: substantive and procedural. Substantive dimension is what is being done, process is how it is done. The above definitions and functions of management only help us identify what a manager does but they tell us little about how he does. A highly useful way to capture the essence of "how" is to think of management as an operational process and its functions as sub-processes in a circular continuous movement as shown in figure 1.1.

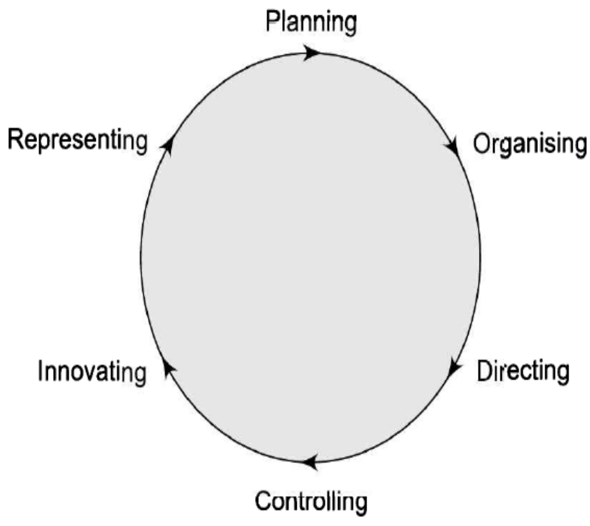

Fig. 1.1 Management process

Levels of Management

There are levels among managers like first-line, middle and top managers.

The lower (or first-line) management group is made up of foremen and white collar supervisors, men and women who are only one step above the rank and file. The middle management, is a vast and diverse group that includes sales managers, plant managers, personnel managers and many other department heads. The top management consists of the board chairman, the company presidents, the executive vice-presidents, i.e., and the men who coordinate all the specialities and make policies for the company as a whole.

Managerial Skills

A manager should possess three major skills: Conceptual skill, Human relations skill and Technical skill. Conceptual skill deals with ideas, technical skill with things and human skill with people. While both conceptual and technical skills are needed for good decision-making, human skill is necessary for a good leader.

Conceptual skill refers to the ability of a manager to take a broad view of the organisation and its future, his ability to think in abstract, his ability to analyse the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. This skill seems to increase in importance as a manager moves up to higher positions of responsibility in the organisation.

Technical skill is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department, this would mean an understanding of the technicalities of the process of production.

Human relations skill is the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability: (a) to recognise the feelings and sentiments of others, (b) to judge the possible reactions to, and outcomes of various courses of action he may undertake; and (c) to examine his own concepts and values which may enable him to develop more useful attitudes about himself. This type of skill remains consistently important for managers at all levels.

Figure 1.2 gives an idea about the required change in the skill-mix of a manager with the change in his level. At the top level, technical skill becomes least important. That is why, people at the top shift with great ease from one industry to another without an apparent fall in their efficiency. Their human and conceptual skills seem to make up for their unfamiliarity with the new job's technical aspects.

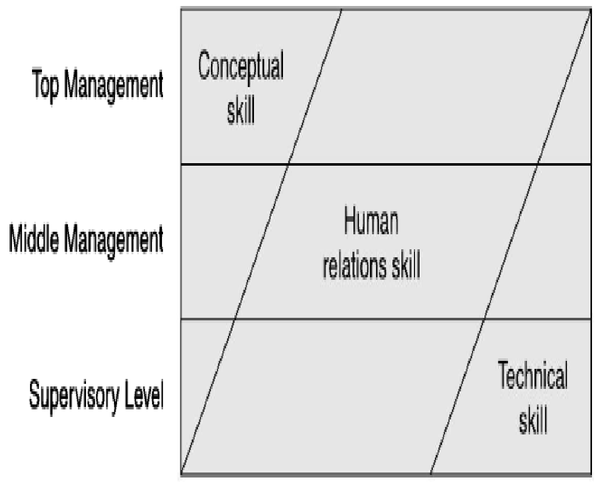

Fig.1.2: Skill-mix at different management levels

Roles of a Senior Manager

Interpersonal Roles

Figurehead In this role, every manager has to perform some duties of a ceremonial nature, such as greeting the touring dignitaries, attending the wedding of an employee, taking an important customer to lunch and so on.

Leader As a leader, every manager must motivate and encourage his employees. He must also try to reconcile their individual needs with the goals of the organisation.

Liaison In this role of liaison, every manager must cultivate contacts outside his vertical chain of command to collect information useful for his organisation.

Informational Roles

Monitor As monitor, the manager has to perpetually scan his environment for information, interrogate his liaison contacts and his subordinates, and receive unsolicited information, much of it as a result of the network of personal contacts he has developed.

Disseminator In the role of a disseminator, the manager passes some of his privileged information directly to his key subordinates who would otherwise have no access to it.

Spokesman A manager is also required to spend a part of his time in representing his organisation before various outside groups, which have some stake in the organisation. These stakeholders can be government officials, labour unions, financial institutions, suppliers, customers, etc. They wield influence over the organisation. The manager must win their support by effectively managing the social impact of his organisation.

- **Decisional Roles**

Entrepreneur In this role, the manager proactively looks out for innovation to make things happen & to improve his organisation. Innovation means creating new ideas. Thus, when demand for his product falls off the manager does not cut back his production but seeks new outlets or new products in order to maintain production.

Disturbance Handler In this role, the manager has to work reactively like a fire fighter. He must seek solutions of various unanticipated problems - a strike may loom large, a major customer may go bankrupt, a supplier may renege on his contract, and so on.

Resource Allocator In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what

Negotiator The manager at all levels has to spend considerable time in negotiations. Thus, the president of a company may negotiate with the union leaders a new strike issue, the foreman may negotiate with the workers a grievance problem, and so on.

Management and Administration

Administration involves "thinking". It is a top level function which centres on the determination of plans, policies and objectives of a business enterprise. On the other hand, management involves "doing". It is a lower level function which is concerned with the execution and direction of policies and operations. No two separate sets of personnel are required, however, to discharge administrative and managerial functions. Each manager performs both activities and spends part of his time administering and part of his time managing. As shown in Fig. 1.3 at the top level more time is spent in administrative activity and as one moves down in the organisation more time is spent in management activity

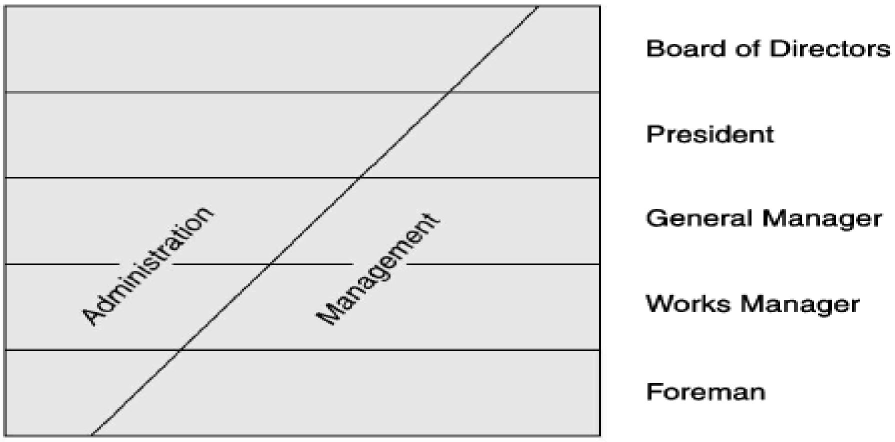

Fig. 1.3: Time spent in administrative and managerial functions at different levels

According to the second view management is a comprehensive generic term which includes administration. Management is a comprehensive generic function embracing the entire process of planning, organising, directing and controlling. Administration, is only a branch of management which encompasses two of its functions - planning and controlling. According to this view, the functions of management can be divided into two categories: (a) administrative management and (b) operative management. The upper level of management is usually called administrative management and the lower level is known as operative manager.

The differences between administration and management are listed below:

Characteristic	Administration	Administration
1. Main functions	Planning, Organizing and Staffing	Leading, Motivating and Controlling.
2. Status	Acts as owner	Acts as an agency
3. Skills	Requires good administrative skills	Requires more technical skills.
4. Level in the organization	Top level	Lower level
5. Position	Managing Director, Owner, CEO, etc.	Managers, Supervisors, Foremen etc.
6. Objectives	Makes the policies, objectives and goals to be achieved.	Implements the plans and policies
7. Involvement	No direct involvement in production or services	Directly involves in the execution of plans

According to another view, the basic difference between management and administration lies is the use of these words in different fields. The governance of non-business institutions is generally called administration while the governance of business enterprises is called management. A manager of a business enterprise must always, in every decision and action put economic consequences first. On the other hand, in governing non-business institutions, the economic consequences of decisions are only secondary for an administrator. For e.g., chief of small a military organisation has to put military security first & economic considerations next.

Management - A Science or an Art?

Management as a Science

We can call a discipline scientific if its:

1. methods of inquiry are systematic and empirical
2. information can be ordered and analysed
3. results are cumulative and communicable.

All scientific information collected first as raw data is finally ordered and analysed with the help of statistical tools. It thus becomes communicable and intelligible. Communication of results also permits repetition of the study, if needed, by the original investigator or others.

Science is also cumulative in that what is discovered is added to that which has been found before. We learn from past mistakes and obtain guides for the future. We build upon the base that has been left by others. On the basis of the above definition of science, we may presume that management is also a science.

The word "science" is used to denote two types of systematic knowledge: natural or exact and behavioural or inexact. But management is not like the exact or natural sciences (such as physics, chemistry). These sciences are called "exact" because here it is possible for us to study the effects of anyone of the many factors affecting a phenomenon individually by making the other factors inoperative for the time being. Thus, in physics it is possible for anyone to study in a laboratory, the effects of, say, only heat on the density of air by holding other factors (such as humidity) constant for the duration of the experiment. But the same thing is not possible in management where we have to study man and a multiplicity of factors affecting him. For example, it is not possible to study the effect of, say, only monetary incentives on a worker's productivity because this effect will always be found to be mixed with and inseparable from other effects such as the leadership style of the worker's supervisor, worker's need hierarchy, the pressure of his co-workers, etc.

Management as an Art

Under "science" one normally learns the "why" of a phenomenon, whereas under "art" one learns the "how" of it. Art is thus concerned with the understanding of how a particular work can be accomplished. Management in this sense is more an art. It is the art of getting things done through others in dynamic and mostly non-repetitive situations. Whether it is a factory or a farm or a domestic kitchen, the resources of men, machine, and money have to be coordinated against several constraints to achieve given objectives in the most efficient manner. The manager has to constantly analyse the existing situation, determine the objectives, seek alternatives, implement, coordinate, control and evaluate information and make decisions. Knowledge of management theory and principles is indeed a valuable aid and kit of the manager but it cannot replace his other managerial skills and qualities. This knowledge has to be applied and practised by the manager just as the medical or legal practitioners practise their respective sciences. In this sense, management in an art.

Management - A Profession?

The characteristics of a profession are:

1. Existence of an organised and systematic knowledge.
2. Formalised methods of acquiring training and experience.
3. Existence of an association with professionalization as its goal.
4. Existence of an ethical code to regulate the behaviour of the members of the profession.
5. Charging of fees based on service, but with due regard for the priority of service over the desire for monetary reward.

Management, does not possess all the above characteristics of a profession. Unlike medicine or law, management does not have any fixed norms of managerial behaviour. There is no uniform code of conduct or licensing of managers. Further, the entry to managerial jobs is not restricted to individuals with a special academic degree only. In the light of this analysis we can conclude that management cannot be called a profession.

However, it is becoming increasingly essential nowadays to acquire some professional knowledge or training. Managing a business is no longer just a matter of intuition or a family ability. It has now come to be studied and taught as a subject by itself.

1. A degree in management does not by itself make an individual a professional manager. The essence of professional management is achievement, not knowledge; results not logic. By insisting on holding a degree, we are overemphasising knowledge and completely overlooking skill. This will eliminate those individuals who, though highly skilled, do not have the required degree.
2. People once certified as professionals based on academic degrees would always remain professionals, despite their knowledge becoming obsolete in later years.

PLANNING: Nature of Planning

Planning is the beginning of the management process.

Planning is an **intellectual process** which requires a manager to think before acting. It is thinking in advance. By planning managers of organisations decide what is to be done, when it is to be done, how it is to be done, and who is to do it. Decision-making is thus an integral part of planning.

Planning is a **continuous process**. A manager should constantly watch the progress of his plans. He must constantly monitor the conditions, both within and outside the organisation to determine if changes are required in his plans.

A plan should be **flexible** to change to adapt to the changing situations without undue cost. It should possess flexibility in the areas like technology, market, finance, personnel and organization.

Planning is an **all-pervasive function.** Planning is important to all managers regardless of their level in the organization. Top level managers are concerned with long range planning involving 2 to 5 years, middle level managers are concerned with medium range planning involving few months to one year and lower level managers are concerned with planning the activities of daily or week or up to a month, where as a worker plans his day's work.

Importance of planning

1. Minimises Risk and Uncertainty: In today's increasingly complex organisations, intuition alone can no longer be relied upon as a means for making decisions. This is one reason why planning has become so important. Planning allows managers and organisations to minimise risk and uncertainty, Planning helps the manager to cope with and prepare for the changing environment.

2. Leads to Success: Planning does not guarantee success. Companies that plan not only outperform the no planners but also outperform their own past results. Planning leads to success by doing beyond mere adaptation to market fluctuations.

3. Focuses Attention on the Organisation's Goals: Planning helps the manager to focus attention on the organisation's goals and activities. This makes easier to apply and coordinate the resources of the organisation more economically. It enables manager to chalk-out sequence of steps for the realization of organizations goals and to avoid overlapping of activities.

4. Facilitates Control: In planning, the manager sets goals and develops plans to accomplish these goals. Then these goals and plans are becomes standards or benchmarks against which performance can be measured. The function of control is to ensure that the activities conform to the plans.

5. Trains Executives: Planning is also an excellent means for training executives. They become involved in the organizational activities and the plans arouse their interests in various aspects of planning.

Types of Planning

Plans are arranged in hierarchy within an organisation as shown in figure 1.4.

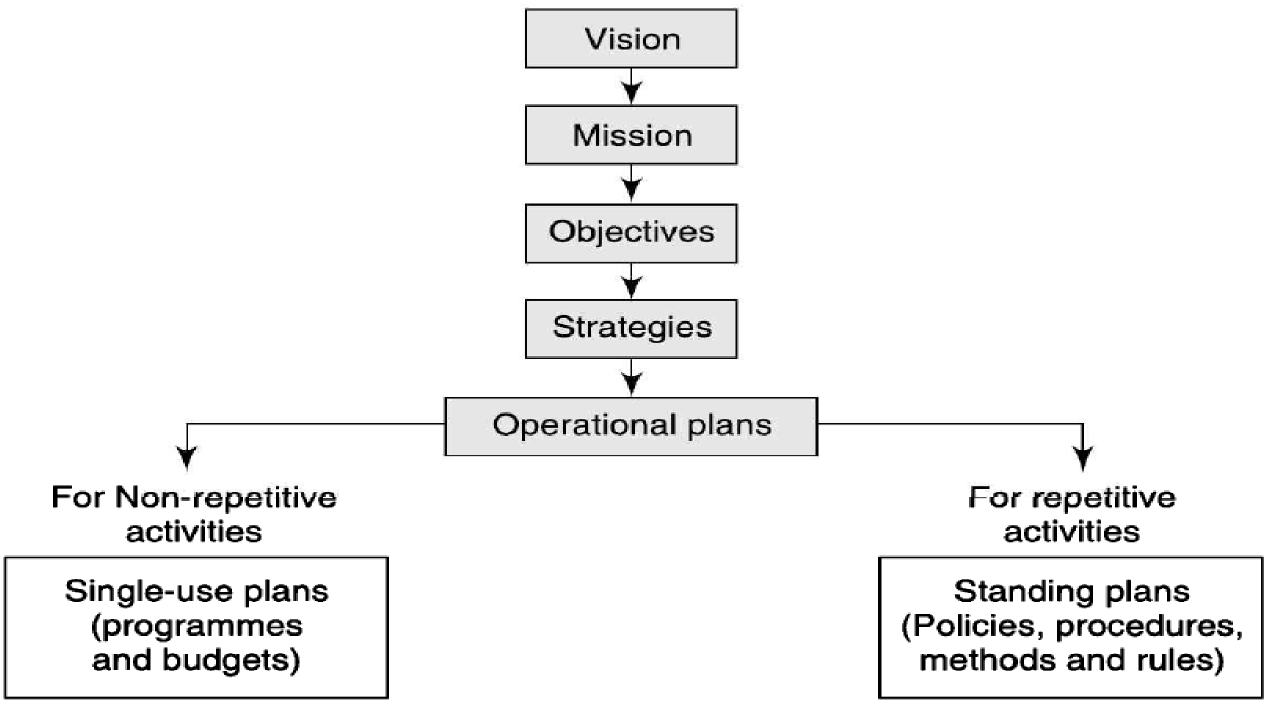

Fig. 1.4: Hierarchy of organisational plans

Vision: Vision is the dream that an entrepreneur creates about the direction that his business should pursue in future. It describes his aspirations, beliefs, & values and shapes organizations strategy.

Vision should be brief, focused, clear and inspirational to an organizations employees. It should be linked to customers need s and convey a general strategy for achieving the mission.

Mission: Mission is the unique aim of an organization that sets it apart from others of its type. It is an organizations specialization in some areas like service, product or client which decides the organizations scope of business.

A firm's mission statement may also mention its cultural values. A firm's mission also guides the development of strategies.

Objectives: Objectives are goals or aims which the management wishes the organization to achieve. These are end points towards which all business activities like organizing, staffing, directing and controlling are directed. Objectives are the specific targets to be reached by the organization. They are the translation of organizations mission into concrete terms against which results can be measured.

Characteristics of objectives

1) Objectives are multiple in numbers: This implies that every business enterprise has a package of objectives set out in various key areas. There are eight key areas in which objectives of performance and results are set which are: Market standing, Innovation, Productivity, Physical & financial resources, Profitability, Manager Performance & development, Worker performance, Attitude & public responsibility.

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

3) Objectives have priority: This implies that at a given point of time, the accomplishment of one objective is relatively more important than others. Priority of goals says something about relative importance of certain goals regardless of time.

4) Objectives are generally arranged in a hierarchy: This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives.

5) Objectives sometimes clash with each other: The process of breaking down the enterprise into units requires that objectives be assigned to each unit. Each unit is given the responsibility of attaining an assigned objective.

Advantages of objectives:

1. They provide a basis for planning and for developing other type of plans.
2. They act as motivators for individuals and departments.
3. They eliminate haphazard action which may result in undesirable consequences.
4. They facilitate coordinated behaviour of various groups.
5. They function as a basis for managerial control.
6. They facilitate better management
7. They lessen misunderstanding and conflict among people.
8. They provide legitimacy to organisation's activities.

Strategies

Strategy is a plan that takes the environmental opportunities & threats and the organisational strengths & weaknesses into account and provides an optimal match between the firm and the environment. Two important activities involved in strategy formulation are:

- Environmental Appraisal
- Corporate Appraisal.

i. Environmental Appraisal: An analysis of the relevant environment results in the identification of threats and opportunities. Some of the key environment factors are:

- Political and legal factors
- Competitive factors
- Economic factors
- Social and cultural factors

ii. Corporate Appraisal: This involves an analysis of the company's strengths and weaknesses.

Operational Plans

These plans act as means of implementing the organisation's strategy. There are two main types of operational plans:

- Standing plans
- Single-use plans.

1. Standing Plans The major types of standing plans are:

- Policies
- Methods
- Procedures
- Rules

Policies: A policy is a general guideline for decision-making. It sets up boundaries around decisions including those that can be made and shutting out those that cannot. In other words, “Policy is verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which managerial action will take place”. Policy deals with “how to do” the work.

Advantages of policies

1. Policies ensure uniformity of action and makes actions more predictable.
2. Policies speed up decisions at lower levels.
3. Policies make it easier for the superior to delegate more and more authority to his subordinates.
4. Policies give a practical shape to the objectives.

Types of Policies

Policies may be classified on the basis of sources, functions or organizational level.

1. Classification on the basis of sources

On this basis, policies may be divided into originated, appealed, implied and externally imposed policies.

(a) Originated policies: These are policies established formally and deliberate by top managers for the purpose of guiding the actions of their subordinates and also their own. These policies are generally set down in print and embodied in a manual.

(b) Appealed policies: Appealed policies are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation.

(c) Implied policies: There are also policies which are stated neither in writing nor verbally. Only by watching the actual behaviour of the various superiors in specific situations can the presence of the implied policy be ascertained.

(d) Externally imposed policies: Policies are sometimes imposed on the business by external agencies such as government, trade associations and trade unions.

2. Classification on the basis of functions

On the basis of business functions, policies may be classified into production, sales, finance, personnel policies, etc. Every one of these functions will have a number of policies.

3. Classification on the basis of organisational level

On this basis, policies range from major company policies through major departmental policies to minor or derivative policies applicable to the smallest segment of the organisation.

Guidelines for effective policy-making

The guidelines for making effective policies are as follows

1. Policies should be in writing and should be clearly understood.
2. Policies should reflect the objectives of the organization.
3. Top managers and subordinates must participate in the formation of policies.
4. Policy must strike a reasonable balance between stability and flexibility.
5. Policies in the organization should not pull in different directions.
6. Policies should not be detrimental to the interest of society.
7. Policies must be comprehensive to cover as many contingencies as possible.
8. Policies should be periodically reviewed.

Procedures

Policies are carried out by means of more detailed guidelines called "procedures". A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work. The same steps are followed each time that activity is performed.

Difference between policy and procedure:

1. Policies are general guides to both thinking and action of people at higher levels. Procedures are general guides to action only usually for people at lower levels.

2. Policies help in fulfilling the objectives of the enterprise. Procedures show us the way to implement policies.

3. Policies are generally broad and allow some latitude in decision making. Procedures are specific and do not allow latitude.

4. Policies are often established without any study or analysis. Procedures are always established after thorough study and analysis of work.

Methods

A method is a prescribed way in which one step of a procedure is to be performed. Thus a method is a part of procedure. A procedure has a number of steps, each step may have number of methods to do it. Methods help in increasing the effectiveness of a procedure.

Rules

Rules are detailed and recorded instructions that a specific action must or must not be performed in a given situation. Rules ensure that a job is done in the same manner every time, bringing uniformity in efforts and results.

Single-use Plans

The single use plans are developed to achieve a specific end; when that end is achieved, the plan is dissolved. The major types of these plans are:

- Programmes
- Budgets

Programmes: Programmes are precise plans or definite steps in proper sequence which need to be taken discharge a given task. Programmes are made up of policies, procedures, budgets, etc.

Budgets: Budget is a "financial and/or quantitative statement prepared prior to a definite period of time, of the policy to be pursued during that period for the purpose of obtaining a given objective." Budgets are plans for a future period of time containing statements of expected results in numerical terms, i.e. rupees, man-hours, product-units etc.

Steps in Planning

1. Establishing Verifiable Goals or Set of Goals to be achieved: The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers. The type of goal selected will depend on a number of factors: the basic mission of the organisation, the actual & potential abilities of the organisation etc.

2. Establishing Planning Premises: The second step in planning is to establish planning premises, i.e. certain assumptions about the future on the basis of which the plan will be ultimately formulated. Planning premises are vital to the success of planning as they supply pertinent facts and information relating to the future. Planning premises can be variously classified as under

(a) Internal and external premises

(b) Tangible and intangible premises

(c) Controllable and non-controllable premises

3. Deciding the Planning Period: Once upper level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. In some instances plans are made for a year only while in others they span decades. The factors which influence the choice of a period are as follows:

(a) Lead time in development and commercialisation of a new product.

(b) Time required to recover capital investments or the pay-back period.

(c) Length of commitments already made.

4. Finding Alternative Courses of Action: The fourth step in planning is to search for and examine alternative courses of action. For example, products may be sold directly to the consumer by the company's salesmen or through exclusive agencies.

5. Evaluating and Selecting a Course of Action: Once the alternatives are found, then the next step is to evaluate them with respect to the premises & goals and select the best course or courses of action

6. Developing Derivative Plans: Once the plan for the organisation has been formulated, middle and lower level managers must draw up the appropriate plans for their sub units. These are the plans required to support the basic plan

7. Establishing and Deploying Action Plans: The action plans identifies particular activities necessary to turn the derivative plans into action and specifies the who, what, when, where and how of each action item.

8. Measuring and Controlling the Progress: The process of controlling is a critical part of any plan. Manager need to check the progress of their plans so that they can: (a) Take whatever remedial action is necessary to make the plan work (b) Change the original plan if it is unrealistic.

Limitations of Planning

1. Planning is an expensive and time-consuming process. It involves significant amounts of money, energy and also risk, without any assurance of the fulfilment of the organisation's objectives.
2. Planning sometimes restricts the organisation to the most rational and risk-free opportunities. It curbs the initiative of the manager and forces him to operate within the limits set by it.
3. The scope of planning is said to be limited in the case of organisations with rapidly changing situations.
4. Establishment of advance plans tends to make administration inflexible. When unforeseen changes in the environment, the original plan loses its value and there is need to draw up a fresh plan.
5. There is the difficulty of formulating accurate premises.
6. Planning may sometimes face people's resistance to it.

Decision Making

A **decision** is a choice between two or more alternatives. This implies three things:

1. When manager make decisions they are *choosing* - they are deciding what to do on certain basis.
2. Managers have *alternatives* available when they are making a decision. It requires wisdom and experience to select best one.
3. Managers have a purpose in mind when they make decision.

Types of Decisions

1. Programmed and Non-Programmed Decisions

Programmed decisions are those that are made in accordance with some policy, rule or procedure. These decisions are generally repetitive, routine and are obviously the easiest for managers to make. Examples: Pricing ordinary customers' orders, determining salary payments to employees who have been ill, recording office supplies, and so on. Non-programmed decisions are novel and non-repetitive. If a problem has not arisen before or if there is no cut and dry method for handling it, it must be handled by a non-programmed decision. Problems like how to allocate an organisation's resources, what to do about a failing product line, will usually require non-programmed decisions for which no definite procedure exists.

In the case of programmed decisions, it is not possible for two managers to reach different solutions to the same problem. But in the case of non-programmed decisions, since each manager may bring his own personal beliefs, attitudes and value judgements, it is possible for two managers to arrive at distinctly different solutions to the same problem. The ability to make good non-programmed decisions helps to distinguish effective managers from ineffective managers. As one moves up in the hierarchy, the ability to make non-programmed decisions becomes important.

2. Major and Minor Decisions

Some decisions are considerably more important than others. We can measure the relative significance of a decision in four ways:

i. **Degree of Futurity of Decision**: For how long into the future does a decision commit the company? A decision which has a long-range impact (purchase of new machinery), must be rated as major decision and the decision which does not have a long-range impact (storing raw material), may be rated as minor decision.

ii. **Impact of the Decision on other Functional Areas:** If a decision affects only one function, it is a miner decision while decision affects many functions can be termed as a major decision.

iii. **Qualitative Factors that Enter the Decision:** A decision which involves certain subjective factors is an important decision. These subjective factors include basic principles of conduct, ethical values, social and political beliefs, etc.

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

3. Routine and Strategic Decisions

Routine, tactical or housekeeping decisions are those which are supportive of the company's operations. They relate to the present. Their primary purpose is to achieve a high degree of efficiency in the company's ongoing activities. Provision for air conditioning, better lighting, parking facilities, cafeteria service, etc. are all routine decisions. On the other hand, lowering the price of the product, changing the product line etc., are strategic decisions.

4. Individual and Group Decisions

Individual decisions are taken where the problems is of a routine nature, where the analysis of variable is simple and where definite procedure to deal with the problem already exist. Important and strategic decisions which may result into some change in the organization are generally taken by a group.

Advantages of group decisions are:

1. Increased acceptance by those affected
2. Easier coordination
3. Easier communication
4. More information processed

Disadvantages of group decisions:

1. Group decisions take longer
2. Groups can be indecisive
3. Groups can compromise
4. Groups can be dominated
5. Groups may have a prior commitment to a particular solution

5. Simple and Complex Decisions

When variables to be considered for solving a problem are few, the decision is simple, when there are many, the decision is complex. When we combine these two types of with the low or high certainty of their outcomes, we get four types of decisions:

1. Decisions in which the problem is simple and the outcome has a high degree of certainty. These are called *mechanistic or routine* decisions.
2. Decisions in which the problem is simple but the outcome has a low degree of certainty. These are called *judgemental* decisions.
3. Decisions in which the problem is complex but the outcome has a high degree of certainty. These are called *analytical* decisions.
4. Decisions in which the problem is complex and the outcome has a low degree of certainty. These are called *adaptive* decisions.

Steps in Rational Decision-Making

A decision is rational if appropriate means are chosen to reach desired ends. Following are the seven steps involved in the process of rational decision-making: as portrayed in Fig. 1.5.

1. Recognising the problem
2. Deciding priorities among problems
3. Diagnosing the problem
4. Developing alternative solutions or courses of action
5. Measuring and comparing the consequences of alternative solutions
6. Converting the decision into effective action
7. Follow-up

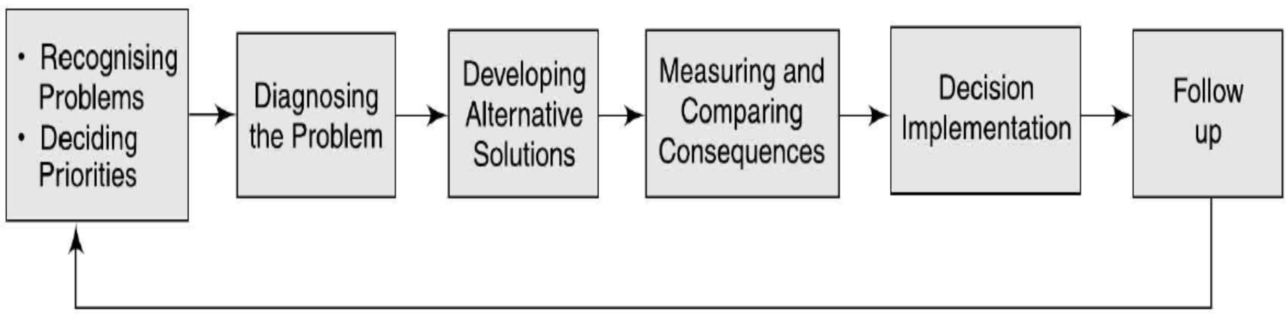

Fig. 1.5: Flow diagram of the rational decision-making process

Recognising the problem: First it is necessary to search the environment for the existence of a problem. A problem exists:

- When there is a deviation from past experience
- When there is a deviation from the plan
- When other people being problems to the manager
- When competitors outperform the managers organization

Deciding Priorities among Problems: The manager should identify the problems which he can solve, the problems which he feels that his subordinates can solve and the problems which are to be referred to the higher officers. With this decision, the manager is left with very few problems to solve.

Diagnosing the Problem: Every problem should be correctly diagnosed. Managers should follow systems approach in diagnosing a problem. He should make a thorough study of all the sides of a problem coupled with organization before arriving at solution. If the diagnosis is made correctly, then finding solution becomes easy.

Developing Alternative Solutions or Courses of Action: After having diagnosed the problem, the next step is to develop alternative solutions. For every problem there will be some alternative solutions. It is very rare that there is a problem with only unique solution. Alternatives do exist. Sometimes, in the absence of past history of alternate solutions, the manager has to depend only on his own ability in finding alternatives.

Measuring and Comparing the Consequences of Alternative Solutions: The alternative solutions are measured and compared for their consequences. This involves a comparison of the quality and acceptability of various solutions.

Converting the Decision into Effective Action: The next step is to convert the decision into action. This requires the communications of the decisions to the concerned employees in clear and simple terms. If there is any opposition or non-acceptance from the employees, steps should be taken to convince them to accept the same.

Follow up of Action: In the final step, the action should be continuously followed up, to ensure whether the decision has achieved the desired result and whether the forecasts & assumptions upon which the decision was based are still valid.

Assignment Questions:

1. Define Management. Explain the various functions of Management.
2. Explain different managerial levels and skills using a skill-mix diagram.
3. Describe the various roles of a manager.
4. Distinguish between Management & Administration. Draw the diagram for time spent in administrative and managerial functions at different levels.
5. Define planning. Describe the importance of planning.
6. Explain the hierarchy of organizational plans with the help of a diagram.
7. How are policies classified? Explain.
8. Bring out the differences between Policies and Procedures.
9. Discuss various steps involved in planning.
10. Briefly explain different types of decisions.
11. Explain all the steps in rational Decision making with a neat diagram.