



ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର, ଓଡ଼ିଶା  
Odisha State Open University, Sambalpur, Odisha  
Established by an Act of Government of Odisha.

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## DIPLOMA IN

## ENTREPRENEURSHIP DEVELOPMENT

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ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର, ଓଡ଼ିଶା  
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## **DIPLOMA IN ENTREPRENEURSHIP DEVELOPMENT**

**DED-2**

**Management Concepts  
and  
Organisational Behaviour**

**Block**

**1**

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**Unit – 1**

**Introduction to Management Concepts**

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**Unit – 2**

**Evaluation of Management Thought**

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**Unit – 3**

**Managerial Planning**

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**Unit-4**

**Decision Making Process**

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## Unit – 1

### Introduction to Management Concepts

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#### Learning Objectives

After completion of the unit, you should be able to:

- Explain the meaning, concept and definition of management.
- Describe the scope and importance of management.
- Know the nature and characteristics of management.
- Also understand whether management is a science or an art or a profession.

#### Structure

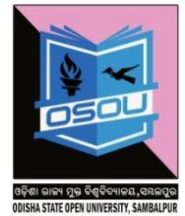
- 1.1 Introduction
- 1.2 Definitions
- 1.3 Nature of Management
- 1.4 Scope and Importance of Management
- 1.5 Levels of Management
- 1.6 Management as an Art
- 1.7 Management as a Science
- 1.8 Management as a Profession
- 1.9 Let's Sum-up
- 1.10 Key Terms
- 1.11 Self-Assessment Questions
- 1.12 Further Readings
- 1.13 Model Questions

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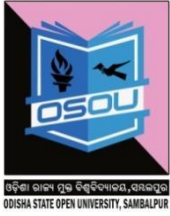
#### 1.1 Introduction

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Take a close look at the society around you. You would find the existence of several organizations. To mention a few, the business organizations that produce goods or services, hospitals, religious and social institutions like charities, schools, colleges and universities. All these organizations exist to achieve pre-determined objectives. They affect our lives in many ways. Though there are vast differences in their functioning and approaches, they all strive to achieve certain objectives. It must also be noted that organizations cannot achieve the objectives effortlessly. They are achieved through systematic effort. Several activities have to be performed in a cohesive way. In the absence of systematic and cohesive performance of the activities to achieve the objectives,



### Introduction to Management Concepts



## Introduction to Management Concepts

it is no wonder that the resources of organizations would be underutilized. As such it is the function of the management to facilitate the performance of activities such that the accomplishment of the objectives becomes possible.

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### 1.2 Definitions

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Management is understood in different ways by different people. Economists regard it as a factor of production. Sociologists see it as a class or group of persons while practitioners of management treat it as a process. For our understanding, management may be viewed as what a manager does in a formal organization to achieve the objectives. In the words of Mary Parker Follet management is *“the art of getting things done through people”*. This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the tasks themselves.

Peter F. Drucker defines, "Management is an organ; organs can be described and defined only through their functions".

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

Management encompasses a wide variety of activities that no one single definition can capture all the facets of management. That is why, it is often said that there are as many definitions of management as there are authors in the field. However, the definition given by James A.F. Stoner covers all the important facets of management.

According to him:

*“Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals”.*

***The above definitions suggest:***

- ❖ Management is a continuous process;
- ❖ Several interrelated activities have to be performed by managers irrespective of their levels to achieve the desired goals;
- ❖ Managers use the resources of the organization, both physical as well as human, to achieve the goals;
- ❖ Management aims at achieving the organisation"s goals by ensuring effective use of resources in the best interests of the society.

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### 1.3 Nature of Management

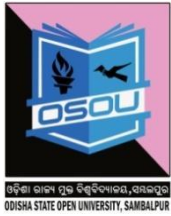
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The salient features which highlight the nature of management are as follows:

- **Management is goal-oriented:** Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.
- **Management is universal:** Management is an essential element of every organised activity irrespective of the size or type of activity. persons are engaged in working for a common goal, management is necessary. All types of organisations, e.g., family, club, university, government, army, cricket team or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organised effort. Managers at all levels perform the same basic functions.
- **Management is an Integrative Force:** The essence of management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organisational goals. As a unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.
- **Management is a Social Process:** Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Apply, “Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process”.
- **Management is multidisciplinary:** Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.
- **Management is a continuous Process:** Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.
- **Management is Intangible:** Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible



### Introduction to Management Concepts



## Introduction to Management Concepts

- **Management is an Art as well as Science:** It contains a systematic body of theoretical knowledge and it also involves the practical application of such knowledge. Management is also a discipline involving specialised training and an ethical code arising out of its social obligations.

On the basis of these characteristics, management may be defined as a continuous social process involving the coordination of human and material resources in order to accomplish desired objectives. It involves both the determination and the accomplishment of organisational goals.

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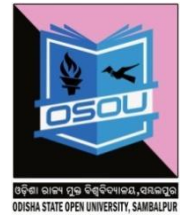
### 1.4 Scope and Importance of Management

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Management is indispensable for the successful functioning of every organisation. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every business needs repeated stimulus which can only be provided by management. According to Peter Drucker, “Management is a dynamic life-giving element in an organisation, without it the resources of production remain mere resources and never become production”.

The scope and importance of management has been highlighted clearly in the following points:

- **Achievement of group goals:**  
A human group consists of several persons, each specialising in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realise its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.
- **Optimum utilisation of resources:**  
Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employers so that they can make the best use of the available resources.



## Introduction to Management Concepts

- **Minimisation of cost:**

In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.

- **Survival and growth:**

Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

- **Generation of employment:**

By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

- **Development of the nation:**

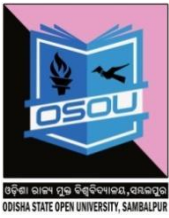
Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical knowhow cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a nation and all the nations which make up the world.

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### 1.5 Levels of Management

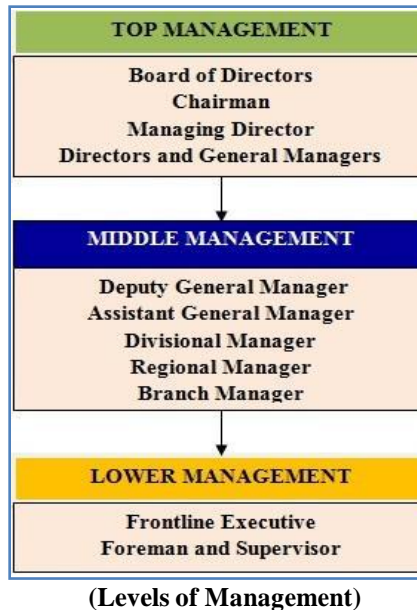
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Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and relationships. The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified



## Introduction to Management Concepts

into various groups or levels of management. Broadly speaking, an organization has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel. The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.



Generally, the levels of management consisting of various managerial positions in the structure of an organisation, differ from one organisation to another, depending on the size of business activity, philosophy of management, span of control and other related factors. But, in a joint stock company, for conducting its business efficiently, managerial personnel may be placed in three levels, that is, top, middle and lower or supervisory level.

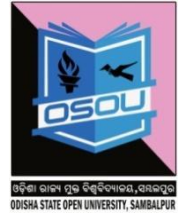
### Top Level Management

The top level management is generally occupied by the ownership group. In a joint stock company, equity shareholders are the real owners of the company. Thus, they elect their representatives as directors, form a board, known as board of directors, which constitutes the top level of management. Besides the board, other functionaries including managing director, general manager or Chief executive to help directors, are included in this level. It is the highest level in the managerial hierarchy and the ultimate source of authority in the organisation. The top level managers are accountable to the owners and responsible for overall management of the organisation.

The major functions of the top level management are as under:

- i. To make a corporate plan for the entire organisation covering all areas of operations.





## **Introduction to Management Concepts**

- ii. To decide upon the matters which are vital for the survival, profitability and growth of the organisation such as introduction of new product, shifting to new technology and opening new plant etc.
- iii. To decide corporate goals.
- iv. To decide structure of organisation, creating various positions there in.
- v. To exercise overall managerial control through the process of reviewing over all financial and operating results.
- vi. To make decisions regarding disposal and distribution of profits.
- vii. To select key officials and executives for the company.
- viii. To coordinate various sub-systems of the organisation.
- ix. To maintain liaison with outside parties having a stake in business such as government, trade union and trade associations etc.
- x. To formulate basic policies and providing direction and leadership to the organisation as a whole.

### **Middle Level Management**

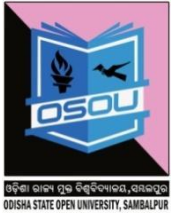
In order to fill up the gap which exists between functional and operative level, some managerial positions are created at the middle level of management. Middle level management consists of departmental managers, deputy managers, foreman and administrative officers etc. These executives are mainly concerned with the overall functioning of their respective departments. They act as a link between top and lower level managers. The activities of middle level managers" centres around determining departmental goals and devising ways and means for accomplishing them.

The main functions performed by these managers are as under:

- i. To prepare departmental plan covering all activities of the department within the basic framework of the corporate plan.
- ii. To establish departmental goals and to decide upon various ways and means for achieving these goals to contribute to organizational goals.
- iii. To perform all other managerial functions with regard to departmental activities for securing smooth functioning of the entire department.
- iv. To issue detailed orders and instructions to lower level managers and coordinate the activities of various work units at lower level.
- v. Middle level managers explain and interpret policy decisions made at the top level to lower level managers.

### **Lower Level or Supervisory Level Management**

Lower-level management is known as supervisory management, because it is concerned mainly with personal oversight and direction of operative employees. It consists of factory supervisors, superintendents, foremen, sales



## Introduction to Management Concepts

supervisors, accounts officers etc. They directly guide and control the performance of rank and file workers. They issue orders and instructions and guide day-to-day activities. They also represent the grievances of the workers to the higher levels of management.

Supervisory management performs the following functions:

- i. Planning of day to day work
- ii. Assignment of jobs and issuing orders and instructions
- iii. Supervising and guiding workers
- iv. Maintaining close personal contacts with workers to ensure discipline and team-work
- v. Evaluating operating performance
- vi. Sending reports and statements to higher authorities
- vii. Communicating the grievances and suggestions of workers to higher authorities.

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### 1.6 Management as an Art

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Art refers to the „know-how“ – the ways of doing things to accomplish a desired result. The focus is on the skill with which the activities are performed.

As the saying goes „*practice makes a man perfect*“, constant practice of the theoretical concepts (knowledge) contributes for the formation and sharpening of the skills. Therefore, what is required is the right blend of the theory and practice. In a way, the attributes of science and art are the two sides of a coin. Medicine, engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception. As a university gold medalist in surgery may not necessarily turn out to be a good surgeon, similarly a management graduate from the best of the institutes may not necessarily be very effective in practice. In both the cases, the application of the knowledge acquired through formal education, requires ingenuity and creativity on the part of the practitioner. Correct understanding of the variables of the situation calls for pragmatism and resourcefulness.

Effective practice of any art requires a thorough understanding of the science underlying it. Thus science and art are not mutually exclusive, but are complementary. Executives who attempt to manage without the conceptual understanding of the management principles and techniques have to depend on luck and intuition. With a sound knowledge and the necessary skills to use such knowledge, they stand a better chance to succeed. Therefore, it may be concluded that „*management is both a science and an art*“.

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## 1.7 Management as a Science

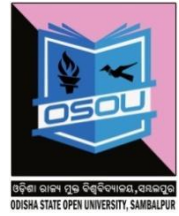
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To gain a correct perspective as to what management is, let us examine the exact nature of management – whether it is a science or an art? An understanding, therefore, of the exact nature of science as well as art may help in understanding the discipline in a better. Any branch of knowledge to be considered a science, (like the ones we have – physics, chemistry, engineering, etc.) should fulfil the following conditions:

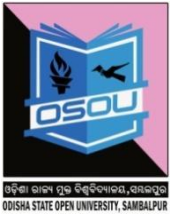
- ❖ the existence of a systematic body of knowledge encompassing a wide array of principles;
- ❖ principles have to be evolved on the basis of constant enquiry and examination;
- ❖ principles must explain a phenomenon by establishing cause effect relationship;
- ❖ the principles should be amenable for verification in order to ensure accuracy and universal applicability.

Looked at from this angle, management as a discipline fulfils the above criterion. Over the years, thanks to the contributions of many thinkers and practitioners, management has emerged as a systematic body of knowledge with its own principles and concepts. Principles help any practicing manager to achieve the desired goals. However, while applying the principles, one should not lose sight of the variables in the situation, since situations differ from one to another. Thus, the importance of personal judgment cannot be undermined in the application of principles. Further, management is a dynamic subject in that, it has drawn heavily from economics, psychology, sociology, engineering and mathematics, to mention a few. It is multi-disciplinary in nature, but a word of caution. Though management considering its subject matter and the practical utility may be considered as „science“, for reason discussed below, it cannot be viewed as an „*exact science*“. In other words, it is a science, but an „*inexact science*“ because:

- ❖ *Firstly*, management by definition involves getting the things done through people. Compared to the other inputs, „*people*“, who constitute the human resource of any organization are unique in respect of their aspirations, attitudes, perceptions and the like. Dissimilarities in the behaviour pattern are so obvious that standard research may not be obtained in otherwise similar conditions.
- ❖ *Secondly*, the behaviour of the human beings cannot be accurately predicted. Hence, readymade and standard solutions cannot be prescribed.
- ❖ *Thirdly*, management is more concerned with future which is complex and unpredictable. As the saying goes, „many a slip between the cup and the lip“, changes in the environment may affect the plans and render even the



## Introduction to Management Concepts



## Introduction to Management Concepts

most well drawn plans ineffective.

- ❖ *Lastly*, since a business organization exists in an environment, it has a two way interaction with the environment. The organization influences the environment by its several decisions and in turn is influenced by the various elements of the environment.

Important among these are technological, economic, socio cultural and political factors. The whole thing is so complex that however effective the plans are, one is prone to be taken over by the unexpected changes in the environment.

Unlike the pure or exact sciences where the results are accurate in the case of management, the various factors discussed above may force even the excellent plans and the strategies go haywire. Too many complexities and uncertainties render management an „inexact science.

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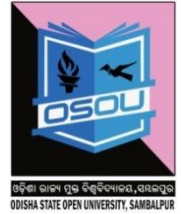
### 1.8 Management as Profession

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McFarland gives the following characteristics of a profession:

- existence of an organized and systematic body of knowledge,
- formalized methods of acquiring knowledge and skills,
- existence of an apex level body with professionalization as its goal,
- existence of an ethical code to regulate the behaviour of the members of the profession,
- charging of fees based on service, and
- concern for social responsibilities.

A closer examination of management as a profession reveals that unlike medicine or law, management has to go a long way to attain universally acceptable norms of behaviour. There is no uniform code of conduct that governs the behaviour of managers. The apex level body, the All India Management Association (AIMA) or NIPM [National Institute of Personnel Management] provides only guidelines and does not have any controlling power over the erring members. Managers also differ widely in respect of their concern for the ethics and values of the society in which they function. Many a time, in their obsession with profit, the societal interests are either neglected or compromised. However, as in the case of other professions, it is implied that managers are expected to set an example in doing good to the society. While making decisions, they should be conscious of the impact of their decisions on the society. The larger interests of the society must be given top priority rather than short-term temptations. After all, given the enormous resources they have at their command, the expectation that managers should address themselves to the problems of society is not unnatural.



## Introduction to Management Concepts

It must, however, be remembered that unlike professions like engineering, medicine, law, accountancy, etc., the entry to management profession is not restricted to individuals with a special degree. In other words, one need not necessarily possess M.B.A or any other management degree or diploma to practice management. To quote Peter Drucker, “no greater damage could be done to an economy or to any society than to attempt to professionalize management by licensing managers or by limiting access to management to people with a special academic degree”.

At the same time, it may be realized that the achievements of the pioneers of the industrial development need not shadow the importance of management as a profession. In arguing for and against, we must not ignore the context of the business. There has been a sea change in the environment of the business. The modern business has become more complex due to the uncertainties arising mainly from:

Ever increasing competition for the markets not only domestic but international as well;

- ❖ Rapid technological changes affecting all facets of human life;
- ❖ Increased sophistication and rapid obsolescence of technology;
- ❖ Expansion in the size of organizations and consequently the market, and
- ❖ The unexpected changes in the socio-cultural and political factors influencing the business.

All these variables which have a significant bearing on the functioning of a business point to the need for formal training and acquisition of skills by pursuing management education. More so, at a time when people are talking about “borderless management” in the context of globalization of business.

### MANAGEMENT:

#### A TRINITY OF ART, SCIENCE AND PROFESSION

*As a Science:* Systematised body of knowledge and principles, cause and effect relationship, predictable results, universal application.

*As an Art:* Practical Knowledge and skills, concrete results, creative, personalised skills.

*As a Profession:* Specialized body knowledge, formal education and training, professional body, code of conduct, social status.

### 1.9 Let's Sum-up

Management principles and applications is quite exiting, challenging and rewarding indeed. The module is carefully crafted for you to present the basic concepts and overview of management for clarity in understanding organizations



## Introduction to Management Concepts

of 21<sup>st</sup> century. Organizations exist in the society to achieve pre-determined objectives. They affect our lives in many ways. Through there are vast differences in their functioning and approaches, they all strive to achieve certain goals/objectives. In the most fundamental way management is described as the art of getting the things done through others in order to accomplish the stated organizational objectives both efficiently and effectively. Basically there are three important levels of management such as front-line managers, middle level managers and top level managers. Managers in order to discharge their responsibilities need to be equipped with various important skill such as conceptual skill, human skills, technical skills, analytical skills besides sound communication skills. At different levels of management managers do play various important roles i.e. informational roles, interpersonal roles and decisional roles.

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### 1.10 Key Terms

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- **Art:** It is the bringing about a desired result through the application of skills.
- **Administration:** It is a higher-level function concerned with the determination of policies.
- **Code of conduct:** It prescribed the norms of professional ethics for its members.
- **Economic Resource:** Management, land, labour and capital.
- **Goal-oriented:** Purposeful activity towards achieving the goals of the organisation.
- **Management:** The art of getting things done.
- **Process:** A series of functions that lead to the achievement of certain objectives.
- **Professionalisation:** It means defining the duties and responsibilities of the managers to improve the quality of management education and training.
- **Science:** A systematically organised body of knowledge including concepts, principles and theories.
- **Top management:** Managers who are higher up in the hierarchy devoting more time on administrative functions.

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### 1.11 Self-Assessment Questions

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1. Select a hypothetical organization and try to understand by yourself how the nature and characteristics of management that you have learnt in this unit is practised.

Ans: \_\_\_\_\_

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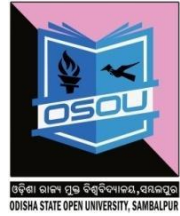
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**Introduction  
to  
Management  
Concepts**

2. Identify an organization that you know and describe what kind of managerial skills are most importantly required by a marketing managers to discharge his duties and responsibilities.

Ans: \_\_\_\_\_

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3. You can spend sufficient time with a manager of any organization of your choice and try to figure out the routine and practices adopted and role performed by him/her. Your observation can be brought for further discussion in the class room.

Ans: \_\_\_\_\_

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ODISHA STATE OPEN UNIVERSITY, SAMBALPUR

## Introduction to Management Concepts

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### 1.12 Further Readings

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1. Prasad, L M, *Principles and Practice of Management*, SChand & Sons, New Delhi
2. Chhabra, T N, *Principles and Practice of Management*, Dhanpat Rai & Co, New Delhi
3. Ghuman, K and Aswathappa, K, *Management*, Tata McGraw Hill, New Delhi
4. Koontz, H, O'Donnell and Woihrich, H, *Essentials of Management*, Tata McGraw Hill, New Delhi

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### 1.13 Model Questions

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1. Explain the concept of Management. Is management science or art? Defend your answer with example.
2. Discuss the nature and scope of management and relate it to the changing business of today.
3. What do you understand by the term „Levels of Management"? Briefly describe the different levels of management.



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## Unit – 2

### Evaluation of Management Thought

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#### Learning Objectives

After completion of the unit, you should be able to:

- Understand the nature and various types of skills required by managers
- Explain the nature of managerial roles and skills

#### Structure

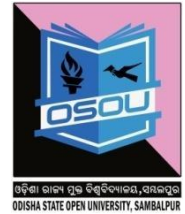
- 2.1 Introduction: Managerial Skills
- 2.2 Technical Skills
- 2.3 Human Skills
- 2.4 Conceptual Skills
- 2.5 Let"s Sum-up
- 2.6 Key Terms
- 2.7 Self-Assessment Questions
- 2.8 Introduction: Role of Managers
- 2.9 Interpersonal Roles
- 2.10 Informational Roles
- 2.11 Decisional Roles
- 2.12 Let"s Sum-up
- 2.13 Key Terms
- 2.14 Self-Assessment Questions
- 2.15 Further Readings
- 2.16 Model Questions

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#### 2.1 Introduction: Managerial Skills

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Management job is different from other jobs. It requires elements of stewardship and commitment to the purpose. It involves the obligation to make prudent use of human and material resources. It requires sound judgment to handle complex situations. Further, the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility. Therefore, each higher level requires increased knowledge, broader perspective and greater skills. For the purpose of analysis, skills required of a manager are classified under three heads – *technical*, *human* (employee relations skill) and *conceptual* skills as shown in Figure 2.2. The exhibit helps in understanding the levels of management responsibility, the principal skill requirements, and the extent to which each kind of skill is required at each level.

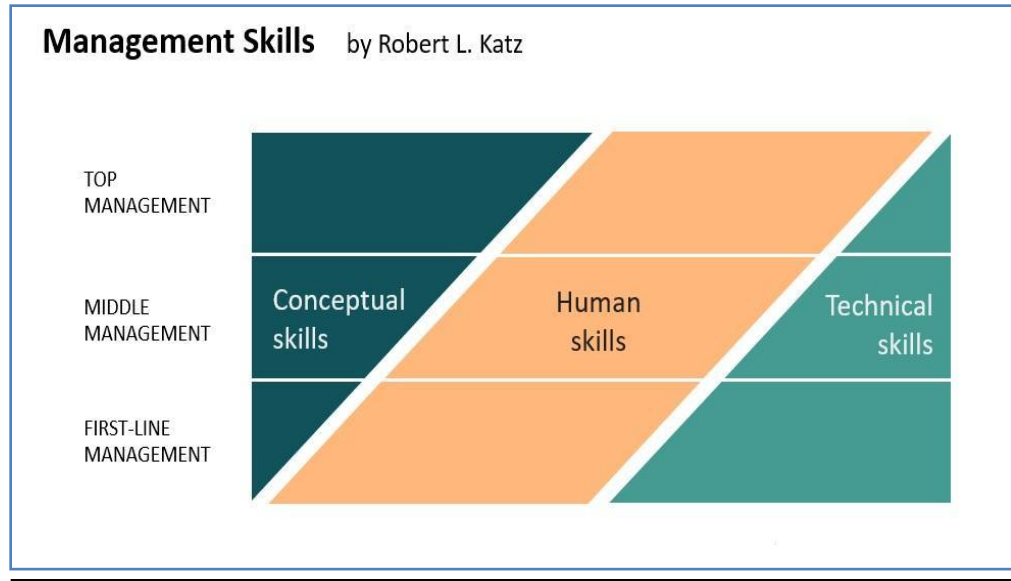


### Evaluation of Management Thought



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### 2.2 Technical Skills

Technical skills refer to the ability to use the tools, equipment, procedures, techniques and knowledge of a specialized field. It is primarily concerned with the ways of doing the things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers, because by nature their job involves supervision of the workers. Effective supervision and coordination of the work of the subordinates, therefore, depends on the technical skill possessed by the lower level manager. Any supervisor without a sound knowledge of the job cannot make an effective supervisor. Such supervisors are not respected by the subordinates at the shop floor. The relative importance of the technical skills as compared to the other skills diminishes as one move up to higher levels of management.

### 2.3 Human Skills

Human skills are primarily concerned with “*persons*” in contrast to “*things*”. When a manager is highly skilled in employee relations, he is aware of their attitudes, assumptions, and beliefs and recognizes their limitations as well as their usefulness. He accepts as an important fact of life, the existence of viewpoints and feelings, different from his own. Thus, human skills refer to the ability of the manager to work effectively as a group member and to build cooperative effort in the team he leads. It is the ability to work with, understand and motivate people. He understands why people behave as they do and is able to make his own behavior understandable to them. He can foresee their reactions to possible courses of action. His skill in working with others is natural and continuous. He does not apply it in random or in inconsistent fashion. It is a natural ingredient of his every action. The flair for understanding, empathizing and working with people is central to the human skills.

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## 2.4 Conceptual Skills

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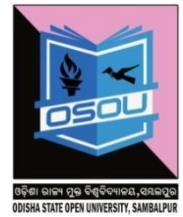
Conceptual skills also called design and problem-solving skills involve the ability to:

- ❖ see the organization and the various components of it as a whole;
- ❖ understand how its various parts and functions are related in a network fashion; and
- ❖ to foresee how changes in any one of these may affect the others.

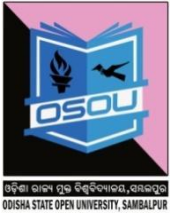
Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation as a whole and even to forces which operate beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats. Managements of companies like ITC, Larsen & Toubro, Asian Paints, Bajaj Auto, Bharthi Telecom in the private sector and National Dairy Development Board, Bharat Heavy Electricals (BHEL) in the public sector, to mention a few, have amply demonstrated this skill in gaining a competitive edge over their competitors. As you have understood by now – the three types of skills discussed so far are not mutually exclusive. In other words, management job always requires all the three skills, but in different proportions depending upon the level of management. There is a gradual shift in the emphasis from the bottom to the top of the pyramid. Technical skills and human skill are always in great demand at the lower level of management for it is there the productive processes and operations are carried out. It is there where you find most of the people. It is there where the action takes place. In contrast, the need for conceptual skill is greatest at the top level of management. Obviously, top managers are not often involved in the direct application of specific methods, procedures and techniques, compared to those at the lower echelons of management.

As evident from the foregoing discussion, at the entry level of the management job, that is, at the supervisory level, besides technical skills, a manager has to process human skills and the problem-solving skills (conceptual). To climb up the organizational ladder, one must not only be good at the skills required for the present job, but also learn and acquaint with the skills required at the next level. As result, in the event of promotion to the next higher levels, he/she would feel at home and discharge the responsibilities with ease.

Based on the differences in the type of skills required, organizations assess the training needs of the managers. Accordingly, appropriate training, development methods and programs are designed to equip them with the skills required at the respective levels. Although, each of these skills is needed in some degree at



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of  
Management  
Thought**



## Evaluation of Management Thought

every level of management, there are successful executives who have no great amount of technical skills. But they are able to compensate the lack of that skill through superior creative ability and skill in identifying the talent and empowering the people through effective human resources development practices and good leadership.

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### 2.5 Let's Sum-up

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Assuming that a manager is one who directs the activities of other persons and undertakes the responsibility for achievement of objectives through such efforts, successful management seems to rest on three basic developable skills: technical, human and conceptual. The relative importance of these three skills varies with the level of managerial responsibility.

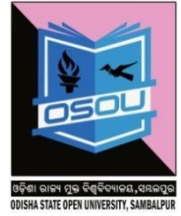
The technical skill implies an understanding of and proficiency in a specific kind of activity, particularly one involving methods, processes, procedures, or techniques; it involves specialised knowledge, analytical ability within that specialty, and facility in the use of the tools and techniques of the specific discipline. Human skills could be usefully divided into (a) leadership ability within the manager's own unit and (b) skill in intergroup relationships. Experience shows that outstanding capability in one of these roles is frequently accompanied by mediocre performance in the other. Intragroup skills are essential in lower and middle management roles and intergroup skills become increasingly important in successively higher levels of management. Conceptual skill involves the ability to see the enterprise as a whole; it includes recognising how the various functions of the organisation depend on one another, and how changes in any one part affect all the others; and it extends to visualising the relationship of the individual business to the industry, the community, and the political, social and economic forces of the nation as a whole.

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### 2.6 Key Terms

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- **Skill:** An ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly carry out an activity / task / job.
- **Technical Skill:** It refers to the specialised knowledge and proficiency in handling specific job.
- **Human Skill:** It is the ability to interact and resolve conflict situation for enhancing organizational performance and productivity through cooperation and coordination.
- **Conceptual Skill:** It is the ability to see the organization as a whole, to recognise inter-relationship among different functions of business effectively and efficiently.



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### 2.7 Self-Assessment Questions

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1. What types of skills are required at different levels of management? Examine why human skills are considered most significant at all levels of management.

Ans: \_\_\_\_\_  
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2. Who introduced the concept of managerial skills? Do you agree that lot of technical skill is required by the top management of an organization? Why or why not?

Ans: \_\_\_\_\_  
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### 2.8 Introduction: Role of Managers

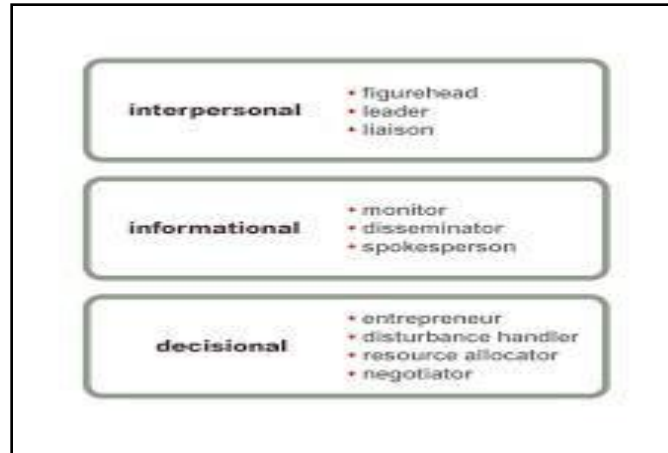
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Hennery Mintzberg, a contemporary management thinker has done lot of research on the various roles performed by a manager. A role, according to him, “*Is an organized set of behaviors belonging to an identifiable office or position.*” Just as characters in a play have specific roles, managers also play different roles. Through his studies, Mintzberg identified ten roles that managers play at various times to varying degrees. He classified them under three broad categories; interpersonal roles, informational roles, and decisional roles.



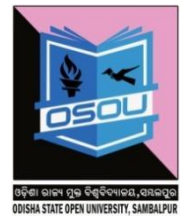
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The following summaries ten roles by category with examples of each:

ROLE	DESCRIPTION	Identifiable activities from the study of Chief Executives
<b>Interpersonal</b>		
<b>Figure head</b>	Symbolic head; obligated to perform routine duties of a legal or social nature.	Ceremony, status requests, solicitations.
<b>Leader</b>	Responsible for the motivation and activation of subordinates; responsible for staffing, training and associative duties.	Virtually all managerial activities involving subordinates.
<b>Liaison</b>	Nurtures and maintains network of outside contacts. The liaison role involves interface activities with environment.	Acknowledgement of mail, authorizing communication with external world.
<b>Informational</b>		
<b>Monitor</b>	Seeks and receives wide variety of special information from different sources. Thorough understanding of organization and environment; emerges as nerve centre of internal and external information of the organization.	All activities concerned primarily with receiving and processing information.
<b>Disseminator</b>	Transmits information received from both within and outside the organization to members of the organization; some information factual, some involving interpretation and integration of diverse value positions of organizational influencers.	Forwarding mail for informational purposes, verbal contacts involving information flow to subordinates(eg; review sessions, instant communication flows)



## Evaluation of Management Thought

<b>Spokesperson</b>	transmits information to stake holders about external environment and organization's plans, policies, actions, results, etc;	Board meetings; handling contacts involving transmission of information to outsiders.
<b>Decisional</b>		
<b>Entrepreneur</b>	Searches the environment for opportunities and initiates action to bring about changes; supervises design of strategy and review sessions involving initiation or improvement of projects.	Takes initiation for accepting risk and challenges for launching of new products/services.
<b>Disturbance Handler</b>	Responsible for corrective action when organization faces unexpected disturbances and turbulence.	Strategy and review sessions involving disturbances and crises.
<b>Resource Allocator</b>	Responsible for the allocation of organizational resources of all kinds; making or approval of all significant organizational decisions.	Scheduling requests for authorization; and activities involving budgeting and the programming of subordinates work.
<b>Negotiator</b>	Responsible for representing the organizations at major negotiations	Negotiation.

As Mintzberg points out, these roles are not independent of one another. Instead, they are interdependent. The interpersonal roles arise out of the manager's authority and status in the organization and involve interactions with people. These interpersonal roles make the manager a focal point of information, enabling and compelling the manager to assume and play the informational roles as an information processing centre. By playing interpersonal and informational roles, the manager is able to play the decisional roles; allocating resources, resolving conflict, seeking out opportunities for the organization, and negotiation on behalf of the organization. Taken together the ten roles comprise and define the work of the manager, whatever the organizations size and nature of the business.

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### 2.9 Interpersonal Roles

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Three interpersonal roles help the manager keep the organization running smoothly. Managers play the figurehead role when they perform duties that are ceremonial and symbolic in nature. These include greeting the visitors, attending social functions involving their subordinates (like weddings, funerals), handing out merit certificates to workers showing promise etc. The leadership role includes hiring, training, motivating and disciplining employees. Managers play the liaison role when they serve as a connecting link between their organisation and others or between their units and other organisational units. Mintzberg described this activity as contacting outsiders who provide the manager with information. Such activities like acknowledgements of mail, external board work, etc., are included in this category.



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## 2.10 Informational Roles

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Mintzberg mentioned that receiving and communicating information are perhaps the most important aspects of a manager's job. In order to make the right decisions, managers need information from various sources. Typically, this activity is done through reading magazines and talking with others to learn about changes in the customers' tastes, competitors' moves and the like. Mintzberg called this the monitor role. In the disseminator role, the manager distributes important information to subordinates that would otherwise be inaccessible to them. Managers also perform the spokesperson role when they represent the organisation to outsiders.

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## 2.11 Decisional Roles

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There are four decision roles that the manager adopts. In the role of entrepreneur, the manager tries to improve the unit. He initiates planned changes to adapt to environmental challenges. As disturbance handlers, managers respond to situations that are beyond their control such as strikes, shortages of materials, complaints, grievances, etc. In the role of a resource allocator, managers are responsible for allocating human, physical and monetary resources. As negotiators, managers not only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

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## 2.12 Let's Sum-up

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To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups: interpersonal, informational, and decisional. The *informational roles* link all managerial work together. The *interpersonal roles* ensure that information is provided. The *decisional roles* make significant use of the information. The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

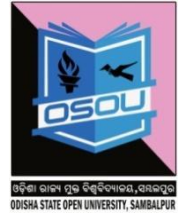
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## 2.13 Key Terms

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- **Figure head:** This refers to the managerial position held as a symbol and position occupied in an organisation.
- **Leader:** This role enables a manager to influence the behaviour of others for accomplishment of group / organizational goals and objectives.





## Evaluation of Management Thought

- **Liaison:** This refers to interacting with peers and individuals both inside and outside the organization.
- **Monitor:** The manager receives and collects information to examine whether the performance of desired tasks is accomplished as per predetermined standard.
- **Disseminator:** The manger transmits the required information to different constituent members within the organization.
- **Spokesperson:** Manager disseminates the company"s vision, mission, objectives and information to its external stakeholders in the environment.
- **Entrepreneur:** The manager, like an entrepreneur initiates change and takes decisions to align all business activities with the ever-changing environment.
- **Disturbance handler:** Manager deals with the problems facing the organization and tries to resolve the conflicts.
- **Resource allocator:** Manager takes judicious decisions regarding limited resources available and its optimal use possible.
- **Negotiator:** Manager negotiates with outside agencies as well as within the organization by acting as a mediator.

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### 2.14 Self-Assessment Questions

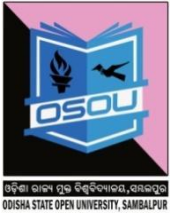
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1. Do you feel that all managers across the organisation discharge all the above mentioned roles in the same proportion? Give your reasons with examples.

Ans: \_\_\_\_\_  
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2. Explain why managers need to play the role as resource allocator. Why should you consider this to be important in any organisation?

Ans: \_\_\_\_\_  
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## Evaluation of Management Thought

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### 2.15 Further Readings

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1. Katz, R., *Skills of an Effective Administrator*, Harvard Business Review, September-October 1974, pp. 90-101.
2. Mintzberg, H., *The Nature of Managerial Work*, Prentice Hall
3. McGrath, E. H., S. J., *Basic Managerial Skills for All*, PHI Learning.

### 2.16 Model Questions

1. Examine the different skills required by a manager in the modern organizations.
2. Discuss Henry Mintzberg's classification of different roles performed by managers in business organizations.



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## **Unit-3**

### **Managerial Planning**

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#### **Learning Objectives**

After completion of the unit, you should be able to:

- Explain the definition of planning in clear terms.
- Understand the nature and characteristics of planning.
- Appreciate, why planning is eminently essential for all organisations.
- Understand the benefits and limitations of planning

#### **Structure**

- 3.1 Introduction
- 3.2 Definitions
- 3.3 Nature and characteristics of planning
- 3.4 Need and significance of planning
- 3.5 The Six P's of Planning
- 3.6 Step in Planning Process
- 3.7 Types / classifications of planning
- 3.8 Let's Sum-Up
- 3.9 Key Terms
- 3.10 Self –Assessment Questions
- 3.11 Further readings
- 3.12 Model Questions

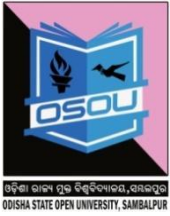
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### **3.1 Introduction**

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Planning is deciding in advance what to do, how to do, when to do and who is to do. Planning bridges the gap from where we are to where we want to go. It involves the selection of objectives, policies and programmes from among alternatives. A plan should be a realistic view of the expectations. Depending upon the activities, a plan can be long range, intermediate range or short range. It is the framework within which it must operate. For management seeking external support, the plan is the most important document and key to growth. Preparation of a comprehensive plan will not guarantee success, but lack of a sound plan will almost certainly ensure failure.

Planning can be done for the entire organization (Corporate Planning) or a business unit (Business Planning), or a division (Divisional Planning) or a department (Departmental Planning) or at the level of an individual manager (Personal Planning).



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### 3.2 Definitions

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“Planning is an intellectually demanding process; it requires the conscious determination of courses of action”.

*-Harold Koontz*

“Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done”.

*-Kenneth H. Killen*

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### 3.3 Nature and characteristics of planning

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#### Nature of Planning

The essential nature of planning can be highlighted in terms of the following four major aspects.

- **Contribution to Purpose and objectives:**

The purpose of every plan and all derivative plans is to facilitate the accomplishment of enterprise purpose and objectives. This principle derives from the nature of organized enterprise, which exists for the accomplishment of group purpose through deliberate cooperation.

- **Primacy of Planning:**

Managerial operation in organizing, staffing, leading and controlling are designed to support the accomplishment of enterprise objectives. Hence, planning logically precedes the execution of all other managerial functions.

- **Pervasiveness of planning:**

Planning is a function of all managers, although the character and breadth of planning will vary with their authority and with the nature of policies and plans outlined by their superiors.

- **Efficiency of plans:**

The efficiency of a plan is by the amount it contributes to purpose and objectives as off-set by costs and other consequences required to formulate and operate it.

#### Characteristics of planning

- Planning is closely associated with the goals of the organization. These goals might be implicit or explicit. However, well-defined goals lead to efficiency in planning.
- Planning is primarily concerned with the forecasting of future situation in which an organization has to function. Accurate forecasting leads to correct decision about future course of action.

- Planning involves the selection of the best among several alternatives for achieving the organizational objectives, as all of them are not equally applicable and suitable to the organization.
- Planning is comprehensive and is required in every course of action in the organization.
- Planning is flexible as it is based on future conditions which are always dynamic .As such, an adjustment is needed between the various factors and planning.




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### **3.4 Need and Significance of Planning**

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While planning does not guarantee success in organizational objectives, there is evidence that companies that engaged in formal planning consistently performed better than those with none or limited formal planning and improved their own performance over a period of time. It is very rare for an organization to succeed solely by luck or circumstances. Some of the reasons as to why planning is considered a vital managerial function are given below :

- 1. Planning is essential in modern business :** The growing complexity of the modern business with rapid technological changes, dynamic changes in the consumer preferences and growing tough competition necessities orderly operations, not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.
- 2. Planning affects performance :** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as return on investment, sales volume, growth in earnings per share and so on. An investigation of firms in various industrial products as machinery, steel, oil, chemicals and drugs revealed that companies that engaged in formal planning consistently performed better than those with no formal planning.
- 3. Planning puts focus on objectives:** The effectiveness of formal planning is primarily based upon clarity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. Plans continuously reinforce the importance of these objectives by focusing on them. This ensures maximum utility of managerial time and efforts.
- 4. Planning anticipates problems and uncertainties :** A significant aspect of any formal planning process in collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of haphazard decisions. Since the future needs of the organization are anticipated in advance, the proper acquisition and allocation of resources can be planned, thus minimizing wastage and ensuring optimal utility of these resources.



## Managerial Planning

- 5. Planning is necessary to facilitate control :** Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to be achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in two ways. First, the planning process establishes a system of advance warning of possible deviations from the expected performance.

Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.

- 6. Planning helps in the process of decision making :** Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules and so on are clearly laid down.

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### 3.5 The Six P's of Planning

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They are as follows:

#### 1. Purpose

An effective planning system requires a clear understanding of the organisation's purpose. What are the reasons for the organisation's existence? Is it to increase profit or increase market share or generate more employment or introduce more products, and so on? This purpose must be clear and elaborate.

#### 2. Philosophy

Philosophy incorporates the fundamental beliefs as to how the organisation's purpose is to be achieved. For long-term survival and growth, a philosophy of ethical conduct must be adopted.

#### 3. Premise

This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the trends of the environment and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.

#### 4. Policies

are general guidelines or constraints that aid managerial thinking and action. In a typical organisation, there are production policies, financial policies, accounting policies, marketing policies, personnel policies; and these form the basis for planning and necessary operational actions.



## 5. Plans

Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.

## 6. Priorities

A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc., must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources. Prioritising goals will determine what is relatively more important. A goal that is given higher priority will receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. Setting priorities for goals will be established on the

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### 3.6 Steps in Planning Process

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Planning is a process which embraces a number of steps to be taken. It is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires a serious thought on numerous factors necessary to be considered in making plans. Facts are collected and analyzed and the best out of all is chosen and adopted. The planning process, valid for one organization and for one plan, may not be valid for all other organizations or all types of plans, because various factors that go into planning process may differ from organization to organization or plan to plan. For example, planning process for a large organization may not be the same as for a small organization. The steps generally involved in planning are as follows:

#### 1. Establishing Verifiable Goals or Set of Goals to be Achieved :

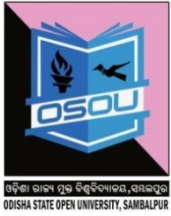
The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. There are many types of objectives managers may select: a desired sales volume or growth rate, the development of a new product or service, or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential ability of the organization.

#### 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 intimately formulated. Planning premises are vital to the success of planning as they supply economic conditions, production costs and prices, probable competitive behaviour, capital and material availability, governmental control and so on.

#### 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. Business varies considerably in their planning periods. In some instances plans are made



## Managerial Planning

for a year only while in others they span decades. In each case, however, there is always some logic in selecting a particular time range for planning. Companies generally base their period on a future that can reasonably be anticipated. Other factors which influence the choice of a period are as follows: (a) lead time in development and commercialization of a new product; (b) time required to recover capital investments or the payback period; and (c) length of commitments already made.

### **4. Findings Alternative Courses of Action :**

The fourth step in planning is to search for and examine alternative courses of action. For instance, technical know-how may be secured by engaging a foreign technician or by training staff abroad. Similarly, products may be sold directly to the consumer by the company's salesmen or through exclusive agencies. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

### **5. Evaluating and Selecting a Course of Action :**

Having sought alternative courses, the fifth step is to evaluate them in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research.

### **6. Developing Derivative plans :**

Once the plan has been formulated, its broad goals must be translated into day-to-day operations of the organization. Middle and lower-level managers must draw up the appropriate plans, programmes and budgets for their sub-units. These are described as derivative plans. In developing these derivative plans, lower-level managers take steps similar to those taken by upper-level managers – selecting realistic goals, assessing their sub-units particular strength and weaknesses and analyzing those parts of the environment that can affect them.

### **7. Measuring and Controlling the Progress :**

Obviously, it is foolish to let a plan run its course without monitoring its progress. Hence the process of controlling is a critical part of any plan. Managers need to check the progress of their plans so that they can (a) take whatever remedial action is necessary to make the plan work, or (b) change the original plan if it is unrealistic.

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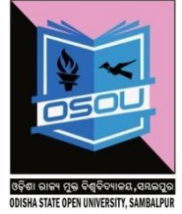
## **3.7 Types / Classifications of Planning**

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### **1. Objectives**

The first step in planning is setting objectives it is said to be the desired future position that the management would like to reach. They are basic to the organization and they are defined as ends which the management seeks to achieve by its operations. They define the future states of affairs which the organization strives to realize. They serve as a guide for overall business planning objectives need to be expressive in specific terms. They are the end points of planning.





## **2. Policy**

A policy is a general guide to thinking and action rather than a specific course of action. It defines the area or limits within decisions can be made to achieve organizational objectives can be attained. A policy is a continuing decision as it provides answers to problems of recurring nature.

## **3. Procedure**

They are routine steps to carry out activities. They detailed the exact manner in which any work is to be performed. They are specified in a chronological order. It lays down the specific manner in which a particular activity is to be performed. It is a planned sequence of operations for performing repetitive activities uniformly and consistently. They play an important role in the daily operations of an organization.

## **4. Rules**

They are rigid and definite plans that specify what is to be done or not to be done in given situations. A rule provides no scope for discretion and judgment. It is a prescribed guide to conduct or action. They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken. They help to regulate behavior and to facilitate communication.

## **5. Budget**

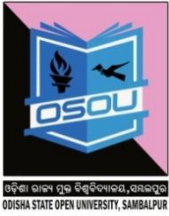
It is a statement of expected results expressed in numerical terms. It is plan which quantities future, facts and figures. They serve as a means of co- ordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down verifiable and measurable goals for a specified period of time. It is expressed in terms of money or physical units. It is a blue print of future course of action and activities. It is prepared in advance, and related to future period.

## **6. Project**

A project is a distinct cluster of functions and facilities for a defined purpose and definite time period. It is designed and executed as a distinct plan. It is integrated into a unit and is designed to achieve stated objectives. It id defined in term of specific objective, interdependence of tasks etc. they help to facilitate co- ordination and control by identifying an integrated work package within a heterogeneous mass of activities and resources.

## **7. Strategy**

The concept of strategy in business has been borrowed from military science and sports where it implies outmaneuvering the opponent. The term strategy began to be used in business with increase in competition and complexity of operations. It may be defined as gamesmanship or as administrative course of action designed to achieve success in the face of difficulties. It is an overall plan prepared for meeting the challenge posed by the activities of competitors and other environment forces ( it is a long term plan as it is designated to achieve the mission of the organization. It is forward looking and is mainly the job of top management).



## Managerial Planning

### Limitations of Planning

Planning is not a substitute for executive judgment but merely an aid to it. It suffers from the following limitations:

1. **Inaccuracy:** Planning is based on forecasts which are never cent per cent accurate. The accuracy and reliability of forecasting diminishes as the forecasting period increases. If reliable forecast and data are not available, planning becomes unrealistic.
2. **Time consuming:** Planning is a time-consuming and expensive process. Time, effort and money are required in the collection and analysis of data and in the formulation and revision of plans. Planning is useful only when the expected gains from it exceed its costs. By the time plans are prepared, conditions might change rendering the entire efforts irrelevant.
3. **Rigidity:** Planning may result in internal inflexibilities and procedural rigidities which curb initiative and individual freedom. Sometimes, planning may cause delay in decision-making. A manager may be bogged down by rules and procedures when there is need for quick decision.
4. **Resistance:** Planning often requires some change in the existing set-up. Unless the required change is forthcoming, planning may be ineffective. Resistance to change is an important obstacle in planning. Planning also requires a forward - looking attitude. But very often, people have a greater regard for the present as future is uncertain.
5. **False Security:** Planning may create a false sense of security in the organisation. A manager may feel that all problems will be solved once the plans are put into operation. In reality, management has to continuously revise the plans and regularly check on their execution.
6. **Pressure-tactics:** Powerful people and other vested interests may exert pressure to ensure that the plans serve their own interests. Moreover, the planners may be unduly influenced by the 'pet projects' of the 'big boss' and may not make an objective analysis of the available alternatives. It is very difficult to measure accurately the effectiveness of planning.
7. **External Constraints:** The effectiveness of planning may be affected by external forces which are beyond the control of those responsible for preparing plans. Government control, natural calamities and other unforeseen events may create hurdles in the implementation of plans. It is very difficult to predict and provide for such external constraints.

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### 3.8 Let's Sum-up

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Planning has a primacy over other management functions and is a pervasive element in organizations. It involves the major activities such as setting objectives, determining policies and making decisions. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. By planning managers minimize uncertainty and help focus the sight of their organization on its goals.



### 3.9 Key Terms

**Planning:** Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done.

**Planning Premises:** It refers to the assumptions made by the planner regarding the environmental changes to plan for the future.

**Planning Process:** It involves various steps included in undertaking the entire planning activity in an organization.

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### 3.10 Self- Assessment Questions

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- 1 "Managerial planning seeks to achieve a coordinated structure of operations". Comment.
- 2 "Planning involves a choice between alternative courses of action". Comment briefly.
- 3 Describe in detail the steps involved in the planning process.

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### 3.11 Further Readings

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1. Kootnz & O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Arun Kumar and R. Sharma, Principles of Business Management.
4. Sherlerkar and Sherlerkar, Principles of Management
5. B.P. Singh, Business Management and Organizations

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### 3.12 Model Questions

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1. Discuss why planning is an important function of management. Who does planning contribute towards the betterment of the organizations?
2. Explain the nature, characteristics and importance of planning in management.
3. Identify the benefits and limitations of planning.



## Decision Making Process

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### Unit-4 Decision Making Process

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#### Learning Objectives

After completion of the unit, you should be able to:

- Know the meaning, nature and characteristics of decision-making.
- Thoroughly understand the decision-making process.
- Explain the various types of decision-making and style of decision-making.
- Understand the limitations of decision-making.

#### Structure

- 4.1 Introduction
- 4.2 Definitions and characteristics
- 4.3 Need and Importance of Decision-making
- 4.4 Types of Decision-making
- 4.5 Steps in Decision-making Process
- 4.6 Decision-making Conditions
- 4.7 Decision-making Style
- 4.8 Limitation of Decision-making
- 4.9 Lets Sum-Up
- 4.10 Self-Assessment Questions
- 4.11 Further Readings
- 4.12 Model Questions

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#### 4.1 Introduction

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Decision-making is an indispensable part of life. Innumerable decisions are taken by human beings in day-to-day life. In business undertakings, decisions are taken at every step. All managerial functions viz., planning, organizing, staffing, directing, co-ordinating and controlling are carried through decisions. Decision-making is thus the core of managerial activities in an organization. Every action of a manager is generally an outcome of a decision. Owing to this fact, Peter F. Drucker in his book “Practice of Management,” observes “Whatever a manager does, he does through making decision.” True, the job of management involves the making of innumerable decisions. That is why many persons think that management is mostly all about decision-making. The word ‘decides’ means to come to a conclusion or resolution as to what one is expected to do at some later time. According to Manely H. Jones, “It is a solution selected after examining several alternatives chosen because the decider foresees that the course of action he selects will do more than the others to further his goals and will be accompanied by the fewest possible objectionable consequences”.



## Decision Making Process

Decision is a choice whereby a person comes to a conclusion about given circumstances/ situation. It represents a course of behaviour or action about what one is expected to do or not to do. Decision- making may, therefore, be defined as a selection of one course of action from two or more alternative courses of action. Thus, it involves a choice-making activity and the choice determines our action or inaction.

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### 4.2 Definitions and Characteristics

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#### Definitions

Some of the important definitions of decision-making are given as under.

“Decision-making is the selection based on some criteria from two or more possible alternatives”.

*-George R. Terry*

“A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result”.

*- J.L. Massie*

“A decision is an act of choice, wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives”.

*- Dalton E. McFarland*

From these definitions, it is clear that decision-making is concerned with selecting a course of action from among alternatives to achieve a predetermined objective.

Following elements can be derived from the above mentioned definitions:

- Decision-making is a selection process and is concerned with selecting the best type of alternative.
- The decision taken is aimed at achieving the organisational goals.
- It is concerned with the detailed study of the available alternatives for finding the best possible alternative.
- Decision making is a mental process. It is the outline of constant thoughtful consideration.
- It leads to commitment. The commitment depends upon the nature of the decision whether short term or long term.



## Decision Making Process

### Characteristics

1. Decision making is a process of selection, which aim to result a best alternative.
2. It aims to achieve the objectives of the organization.
3. It involves the evolution of alternative, only through evaluation one can come to know the best alternative.
4. Decision making is a mental process, because the final selection is made after a thorough consideration.
5. It involves certain kind commitments on the part of the organizational members.

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### 4.3 Need and Importance of Decision-making

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As an entrepreneur or leader, you will make decisions involving not only yourself, but the morale and welfare of others. Some decisions, such as when to take a break or where to hold a meeting, are simple decisions which have little effect on others. Other decisions are often more complex and may have a significant impact on many people. Therefore, having a decision-making, problem-solving process can be a helpful tool. Such a process can help you to solve these different types of situations. Within business and the military today, leaders at all levels use some form of a decision-making, problem-solving process.

It is beyond doubt that the decision making is an essential part of every function of management. According to Peter F. Drucker, “Whatever a manager does, he does through decision making”. Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Right from the day when the size of the organization used to be very small to the present day huge or mega size of the organization, the importance of decision making has been there. The significant difference is that in today's complex organization structure, the decision making is getting more and more complex. Whatever a manager does, he does through making decisions. Some of the decisions are of routine and repetitive in nature and it might be that the manager does not realize that he is taking decisions whereas, other decisions which are of strategic nature may require a lot of systematic and scientific analysis. The fact remains that management is always a decision making process. The most outstanding quality of successful manager is his/her ability to make sound and effective decisions. A manager has to make up his mind quickly on certain matters. It is not correct to say that he has to make spur of the moment decisions all the time. For taking many decisions, he gets enough time for careful fact finding, analysis of alternatives and choice of the best alternative. Decision making is a human process. When one decides, he chooses a course alternative which he thinks is the best. Decision making is a proper blend of thinking, deciding and action. An important executive decision is only one event in the process which requires a succession of activities and routine decisions all along the way. Decisions also have a time dimension and a time lag. A manager takes



## Decision Making Process

time to collect facts and to weigh various alternatives. Moreover, after decides, it takes still more time to carry out a decision and, often, it takes longer before he can judge whether the decision was good or bad. It is also very difficult to isolate the effects of any single decision.

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### 4.4 Types of Decision-making

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Decisions have been classified by various authorities in various ways. The main types of decisions are as follows :

#### **1. Programmed and non-programmed decisions:**

Professor Herbert Simon has classified all managerial decisions as programmed and non-programmed decisions. He has utilized computer terminology in classifying decisions. The programmed decisions are the routine and repetitive decisions for which the organization has developed specific processes. Thus, they involve no extraordinary judgment, analysis and authority. They are basically devised so that the problem may not be treated as a unique case each time it arises. On the other hand, the non-programmed decisions are the one-shot, ill structured, novel policy decisions that are handled by general problem-solving processes. Thus, they are of extraordinary nature and require a thorough study of the problem, its in-depth analysis and the solving the problem. They are basically non-repetitive in nature and may be called as strategic decisions.

**2. Basic and routine decisions:** Professor George Katona has made a distinction between basic decision and routine decisions. Routine decisions are of repetitive nature and they involve the application of familiar principles to a situation. Basic or genuine decisions are those which require a good deal of deliberation on new principles through conscious thought process, plant location, distribution are some examples of basic decisions.

**3. Policy and operative decisions:** Policy decisions are important decisions and they involve a change in the procedure, planning or strategy of the organization. Thus, they are of a fundamental character affecting the whole business. Such decisions are taken by the top management. On the contrary, operating decisions are those which are taken by lower levels of management for the purpose of executing policy decisions. They are generally concerned with the routine type of work, hence unimportant for the top management. They mostly relate to the decision-makers own work and behaviour while policy decision influences the work and behaviour of subordinates.

**4. Individual and group decisions :** Individual decisions are those decisions which are made by one individual – whether owner of the business or by a top executive. On the other hand, group-decisions are the decisions taken by a group of managers – board, team, committee or a sub-committee. In India, individual decision-making is still very common because a large number of businesses are small and owned by a single individual. But in joint stock Company's group decisions are common. There are both merits and demerits of each type of decision.



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## **4.5 Steps in Decision-making Process**

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### **1. Identifying and diagnosing the real problem**

Understanding the situation that sets the stage for decision making by a manager is an important element in decision making. Pre determined objectives past acts and decision and environment consideration provide the structure for current decisions. Once this structure is laid, the manager can proceed to identify and determine the real problem.

### **2. Search and Development of alternatives**

The next step is to search for available alternatives and assess their probable consequences. But the number of forces reacting upon a given situation is so large and varied that management would be wise to follow the principle of the limiting factor. That is management should limit itself to the discovery of those key factors which are critical or strategic to the decision involved.

### **3. Analysis and evaluation of available alternatives**

Once the alternatives are discovered, the next stage is to analyze and compare their relative importance. This calls for the listing of the pros and cons and different alternatives in relation to each other. Management should consider the element of risk involved in each of them and also the resources available for the implementation.

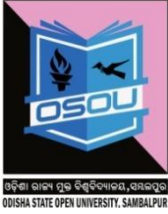
### **4. Selection of alternatives to be followed**

Defining the problem, identifying the alternatives and their analysis and evaluation set the stage for the manager to determine the best solution. In this matter, a manager is frequently guided by his past experience. If the present problem is similar to one faced in the past, the manager has a tendency to decide on the basis past experience is a useful guide for the decision in the present. But it should not be followed blindly. Changes in the circumstances and underlying assumption of decisions in the past should be carefully examined before deciding a problem on the basis of experience.

### **5. Communicate of the decision and its acceptance by the organization**

Once decision is made, it needs to be implemented. This calls for laying down derivative plans and they communicate to all those responsible for initiating action on them. It will be better if the manager takes into account beliefs, attitude and prejudices of people in the organization and is also aware of his own contribution to implantation of the decision. It is further required that subordinates are encouraged to participate in decision making process so that they feel committed and morally bound to support the decisions.





## Decision Making Process

Managers can make decisions on the basis of rationality, bounded rationality, or intuition.

**1. Rational decision making.** Managerial decision making is assumed to be rational—that is, making choices that are consistent and value-maximizing within specified constraints. A rational manager would be *completely* logical and objective. Rational decision making assumes that the manager is making decisions in the best interests of the *organization*, not in his/her own interests.

The assumptions of rationality can be met if the manager is faced with a simple problem in which (1) goals are clear and alternatives limited, (2) time pressures are minimal and the cost of finding and evaluating alternatives is low, (3) the organizational culture supports innovation and risk taking, and (4) outcomes are concrete and measurable.

**2. Bounded rationality.** As the *perfectly* rational model of decision making isn't realistic, managers tend to operate under assumptions of bounded rationality, which is decision-making behavior that is rational, but limited (bounded) by an individual's ability to process information.

Under bounded rationality, managers make **satisficing** decisions, in which they accept solutions that are “good enough.” Managers' decision making may be strongly influenced by the organization's culture, internal politics, power considerations, and by a phenomenon called **escalation of commitment**— an increased commitment to a previous decision despite evidence that it may have been wrong.

**3. Intuitive decision making.** Managers also regularly use their intuition. Intuitive decision making is a subconscious process of making decisions on the basis of experience and accumulated judgment. Although intuitive decision making will not replace the rational decision-making process, it does play an important role in managerial decision making.

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### 4.6. Decision-making Conditions

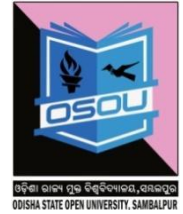
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Decision can be made under conditions of certainty, uncertainty and risk.

**Certainty** is a situation in which a manager can make accurate decisions because all outcomes are known. Few managerial decisions are made under the condition of certainty.

More common is the situation of **risk**, in which the decision maker is able to estimate the likelihood of certain outcomes.

**Uncertainty** is a situation in which the decision maker is not certain and cannot even make reasonable probability estimates concerning outcomes of alternatives. In such a situation, the choice of alternative is influenced by the limited amount of information available to the decision maker. It's also influenced by the psychological orientation of the decision maker.



1. An optimistic manager will follow a *maximax* choice, maximizing the maximum possible payoff.
2. A pessimistic manager will pursue a *maximin* choice, maximizing the minimum possible payoff.
3. The manager who desires to minimize the maximum regret will opt for a *minimax* choice.

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## 4.7 Decision-making Styles

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Managers have different styles in making decisions and solving problems. One perspective proposes that people differ along two dimensions in the way they approach decision making. One dimension is an individual's *way of thinking*—rational or intuitive. The other is the individual's *tolerance for ambiguity*—low or high. Diagramming these two dimensions lead to a matrix showing four different decision-making styles.

- a. The **directive style** is characterized by low tolerance for ambiguity and a rational way of thinking.
- b. The **analytic style** is one characterized by a high tolerance for ambiguity and a rational way of thinking.
- c. The **conceptual style** is characterized by a high tolerance for ambiguity and an intuitive way of thinking.
- d. The **behavioral style** is characterized by a low tolerance for ambiguity and an intuitive way of thinking.

In reality, most managers have both a dominant style and alternate styles, with some managers relying almost exclusively on their dominant style and others being more flexible, depending on the particular situation.

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## 4.8 Limitations of Decision-making

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### 1. Time Consuming

A lot of precious time is consumed for decision making. Individual decisions take a lot of time because the manager has to study the merits and demerits of all the alternatives. He also has to take advice from many people before making a decision. All this consumes a lot of time. Group decisions are also time consuming. This is because it involves many meetings and each member has to give his opinion. This results in delayed decisions or no decisions.



## Decision Making Process

### **2. Compromised Decisions**

In group decisions, there is a difference of opinion. This results in a compromised decision. A compromised decision is made to please all the members. It may not be a correct and bold decision. The quality of this decision is inferior. So it will not give good results on implementation.

### **3. Subjective Decisions**

Individual decisions are not objective. They are subjective. This is because the decisions depend on the knowledge, education, experience, perception, beliefs, moral, attitude, etc., of the manager. Subjective decisions are not good decisions.

### **4. Biased Decisions**

Sometimes decisions are biased. That is, the manager makes decisions, which only benefit himself and his group. These decisions have a bad effect on the workers, consumer or the society.

### **5. Limited Analysis**

Before making a decision the manager must analyse all the alternatives. He must study the merit and demerits of each alternative. Then only he must select the best alternative. However, most managers do not do this because they do not get an accurate date, and they have limited time. Inexperienced researchers and wrong sampling also result in a limited analysis. This limited analysis results in bad decisions.

### **6. Uncontrollable Environmental Factors**

Environmental factors include political, social, technological and other factors. These factors are dynamic in nature and keeps on changing every day. The anager has no control over environmental factors. If these factors change in the wrong direction, his decisions will also divert and go wrong.

### **7. Uncertain Future**

Decisions are made for the future. However, the future is very uncertain. Therefore, it is very difficult to take decisions for the future.

### **8. Responsibility is Diluted**

In an individual decision, only one manager is responsible for the decision. However, in a group decision, all managers are responsible for the decision. That is, everybody's responsibility is nobody's responsibility. So, the responsibility is diluted.



## Decision Making Process

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### 4.9 Let's Sum-Up

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As we understand decision making is an essential part of every function of management. Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Decision making is a process of selection, which aim to result a best alternative. It aims to achieve the objectives of the organization. Decision making is a mental process, because the final selection is made after a thorough consideration. It involves certain kind commitments on the part of the organizational members.

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### 4.10 Self-Assessment Questions

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1. What is decision-making? What are its basic characteristics?
2. "Decision-making is the primary task of the manager". Discuss and explain the scientific process of decision-making.

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### 4.11 Further Readings

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1. Kootnz & O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Arun Kumar and R. Sharma, Principles of Business Management.
4. Sherlerkar and Sherlerkar, Principles of Management
5. B.P. Singh, Business Management and Organizations

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### 4.12 Model Questions

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1. Define decision-making. What are its characteristics?
2. "Almost every position in any business is a decisional centre." Do you agree? Give reasons with examples.
3. Discuss the various types of business decisions. Identify only type that you consider to be most important.