DEPARTMENT OF COMMERCE (CA)

Business Organization and Management (Semester-III)

II-B.COM (CA) **Sub code-18BCA35S**

UNIT-III

Management: Definition - Importance and Scope – Principles and Functions of Management Planning Features – Elements – Objectives – Types of Planning - Steps in Planning – Decision Making.

Definition of Management

Louis Allen “Management is what a manager does”.

Henry Fayol “To manage is “to forecast and plant organize, to command, to coordinate, and to control”.

Importance of Management

1. **It helps in Achieving Group Goals -** It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources -** Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
3. **Reduces Costs -** It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization -** No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium -** It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

6. **Essentials for Prosperity of Society -** Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Nature of Management

Universal Process Wherever there is human activity, there is management. Without efficient management, objectives of the company cannot be achieved.

Factor of Production Qualified and efficient managers are essential to utilization of labor and capital.

Goal Oriented The most important goal of all management activity is to accomplish the objectives of an enterprise. The goals should be realistic and attainable.

Supreme in Thought and Action Managers set realizable objectives and then mastermind action on all fronts to accomplish them. For this, they require full support form middle and lower levels of management.

Group activity All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would accomplish and there would be chaos and retention.

Dynamic Function Management should be equipped to face the changes in business environment brought about by economic, social, political, technological or human factors. They must be adequate training so that can enable them to perform well even in critical situations.

Scope of Management

1. Subject-Matter of Management Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management

2. Functional Areas of Management These include

Financial Management includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.

Personnel Management includes recruitment, training, transfer promotion, demotion, retirement, termination, labor-welfare and social security industrial relations.

Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.

Production Management includes production planning, production control techniques, quality control and inspection and time and motion studies.

Maintenance Management involves proper care and maintenance of the buildings, plant and machinery.

Transport Management includes packing, warehousing and transportation by rail, road and air.

3. Management is an Inter-Disciplinary Approach For the correct implementation of the management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.

4. Universal Application The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.

5. Essentials of Management Three essentials of management are

·Scientific method

·Human relations

·Quantitative technique

Principles of Management

Henri Fayol, a French industrialist, is now recognized as the Father of Modern Management. In the year 1916 Fayol wrote a book entitled "Industrial and General Administration". In this book, he gave the 14 Principles of Management.

14 management principles of Henri Fayol	
1	Division of Work or division of labor
2	Balancing Authority and responsibility
3	Discipline
4	Unity of Command
5	Unity of Direction
6	Subordination of individual interests to the general interest
7	Remuneration
8	Centralization
9	Scalar chain
10	Order
11	Equity
12	Stability of tenure of personnel
13	Initiative
14	Esprit de corps

1. Division of Work
Dividing the full work of the organization among individuals and creating departments is called the division of work. Division of work leads to specialization, and specialization helps to increases efficiency and efficiency which results in improvements in the productivity and profitability of the organization.
2. Balancing Authority and Responsibility
Authority must be equal to Responsibility. According to Henri Fayol, there should be a balance between Authority (Power) and Responsibility (Duties). The right to give orders should not be considered without reference to responsibility. If the authority is more than responsibility then chances are that a manager may misuse it. If responsibility is more than authority then he may feel frustrated.
3. Discipline
Outward mark of respect in accordance with formal or informal agreements between a firm and its employees. Discipline means respect for the rules and regulations of the organization. Discipline may be Self-discipline, or it may be Enforced discipline.
No slacking or bending of rules, not allowed in any organization. The works must respect the rules that run the organization. To establish discipline, good supervision and impartial judgment are needed.
4. Unity of Command
According to this principle, a subordinate (employee) must have and receive orders from only one superior (boss or manager).
To put it another way, a subordinate must report to only one superior. It helps in preventing dual subordination. This decreases the possibilities of "Dual subordination" which creates a problem is a function of managers.
5. Unity of Direction
One head and one plan for a group of activities with the same objective. All activities which have the same objective must be directed by one manager, and he must use one plan.
This is called the Unity of Direction.
For example, all marketing activities such as advertising, sales promotion, pricing policy, etc., must be directed by only one manager.
He must use only one plan for all the marketing activities. Unity of direction means activities aimed at the same objective should be organized so that there are one plan and one person in charge.
6. Subordination of Individual Interests to the General Interest
The interest of one individual or one group should not prevail over the general good. The individual interest should be given less importance, while the general interest should be given the most importance.
If not, the organization will collapse. The interest of the organizational goal should not be sabotaged by the interest of an individual or on the group.
7. Remuneration
Remuneration is the price for services received. Pay should be fair to both the employee and the firm.
If an organization wants efficient employees and best performance, then it should have a good remuneration policy.
This policy should give maximum satisfaction to both employers and employees. It should include both financial and non-financial incentives.
Compensation should be based on a systematic attempt to reward good performance.
8. Centralization

It is always present to a greater or lesser extent, depending on the size of the company and the quality of its managers. In centralization, the authority is concentrated only in a few hands.
However, in decentralization, the authority is distributed to all the levels of management. No organization can be completely centralized or decentralized.
If there is complete centralization, then the subordinates will have no authority (power) to carry

out their responsibility (duties). Similarly, if there is complete decentralization, then the superior will have no authority to control the organization.
Therefore, there should be a balance between centralization and decentralization.
The degree to which centralization or decentralization should be adopted depends on the specific organization, but managers should retain final responsibility but should give subordinates enough authority to do the tasks successfully.

9. Scalar Chain

The chain of command, sometimes called the scalar chain, is the formal line of authority, communication, and responsibility within an organization.
The chain of command is usually depicted on an organizational chart, which identifies the superior and subordinate relationships in the organizational structure.
Or it is the line of authority from top to bottom of the organization. This chain implements the unity-of-command principle and allows the orderly flow of information.
Under the unity of command principle, the instructions flow downward along the chain of command and accountability flows upward.
More clear-cut the chain of command, the more effective the decision-making process and the greater the efficiency.

10. Order

A place for everything and everything in its place' the right man in the right place. There should be an Order for material/things and people in the organization.
Order for things is called Material Order and order for people is called 'Social Order'. Material Order refers to "a place for everything and everything in its place."
Social Order refers to the selection of the "right man in the right place".
There must be an orderly placement of the resources such as Men and Women, Money, Materials, etc. Human and material resources must be in the right place at the right time. Misplacement will lead to misuse and disorder.

11. Equity

While dealing with the employees a manager should use kindliness and justice towards employees equally. Equity is a combination of kindness and justice.
It creates loyalty and devotion in the employees toward the organization. The equity principle suggests that the managers must be kind as well as equally fair to the subordinates.

12. Stability of Tenure of Personnel

Although it could take a lot of time, Employees need to be given fair enough time to settle into their jobs. An employee needs time to learn his job and to become efficient.
The employees should have job security because instability leads to inefficiency. Successful firms usually had a stable group of employees.

13. Initiative

Without limits of authority and discipline, all levels of staff should be encouraged to show initiative. Management should encourage initiative.
That is, they should encourage the employees to make their own plans and to execute these plans. This is because an initiative gives satisfaction to the employees and brings success to the organization.
It allows the subordinates to think out a plan and do what it takes to make it happen.

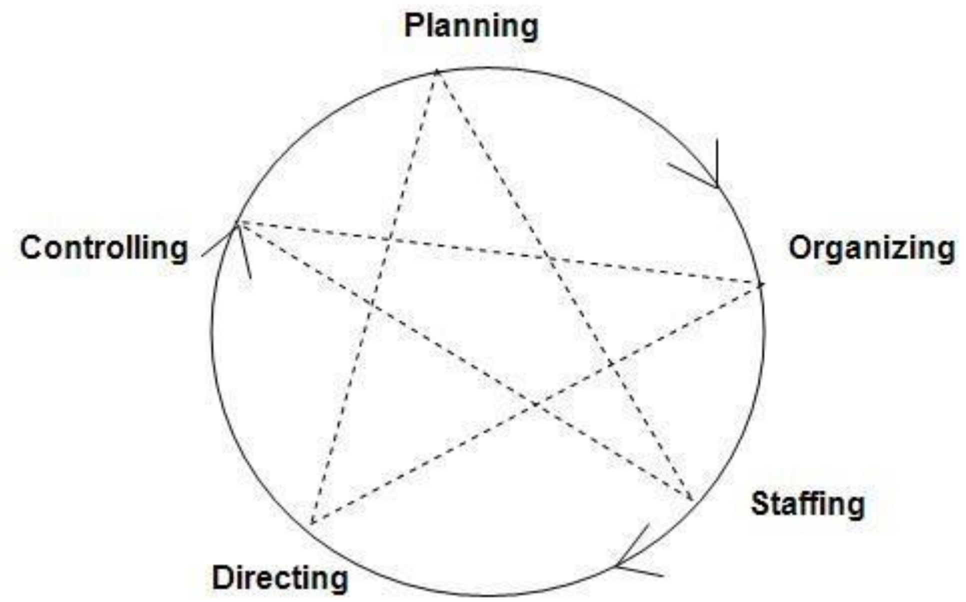
14. Esprit De Corps

Esprit de Corps means "Team Spirit". Therefore, the management should create unity, co-operation, and team-spirit among the employees.
They should avoid dividing and rule policy. Harmony, cohesion among personnel. It's a great source of strength in the organization. It is a quality in every successful business.
These principles are guidelines for every management function. The manager must act according to the 14 principles of management; in order to reach the goal and create a surplus.
These 14 management principles of Henri Fayol are universally accepted. they work as a guideline for managers to do their job according to their responsibility.

Functions of Management

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

Different experts have classified functions of management. According to George & Jerry, "There are four fundamental functions of management i.e. planning, organizing, actuating and controlling".
According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL
i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.
For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



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

2. Organizing
It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining

and providing human and non-human resources to the organizational structure. Organizing as a process involves

Identification of activities.

Classification of grouping of activities.

Assignment of duties.

Delegation of authority and creation of responsibility.

Coordinating authority and responsibility relationships.

3.Staffing

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

Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).

Recruitment, Selection & Placement.

Training & Development.

Remuneration.

Performance Appraisal.

Promotions & Transfer.

4.Directing

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

Supervision

Motivation

Leadership

Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

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

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

5.Controlling

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

Establishment of standard performance.

Measurement of actual performance.
Comparison of actual performance with the standards and finding out deviation if any
Corrective action.

Planning

Planning is the work the manager does to predetermine a course of action, that involves- (a) Establishing Purpose – the work managers do to discover a vision of the future; (b) Setting Goals – the work managers do to determine the end results to be accomplished; and (c) Creating Plans – the work of sequencing tasks to accomplish goals.Thus planning is an activity where goals are set, environmental studies are made, planning premises are considered and a plan is chalked out. Thus plan is a predetermined course of action, which emerges as an outcome of planning process.

Definition of Planning

Different management scientists have defined the 'planning' differently.

"Planning is anticipating" – **Earl Strong.**

"Planning is the thinking process, the organized forecast, the vision based on fact and experience that is required for intelligent action." –**Alfred and Beaty.**

"Management planning involves the development of forecasts, objectives, policies, programs, procedures, schedules, and budgets" – **Louis A. Allen.**

Features of Planning

1. Planning is Goal Oriented

All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.

2. Planning is a Primary Function

Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities. According to Koontz, "Planning provides the basic foundation from which all future management functions arise".

3. Planning is All Pervasive

Planning is a function of all managers. It is needed and practiced at all managerial levels. Planning is inherent in everything a manager does.

4. Planning is a Mental Exercise

Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking. It makes them think in a logical and systematic manner.

5. Planning is a Continuous Process

Planning is continuous. It is a never-ending activity. It is an ongoing process of adjustment to change. There is always need for a new plan to be drawn on the basis of new demands and changes in the circumstances.

6. Planning Involves Choice

Planning essentially involves choice among various alternative courses of action. If there is one way of doing something, there is no need for planning. The need for planning arises only when alternatives are available.

7. Planning is Forward Looking

Planning means looking ahead and preparing for the future. It means peeping into the future, analyzing it and preparing for it. Managers plan today with a view to flourish tomorrow. Without planning, business becomes random in nature and decisions would become meaningless, adhoc choices.

8. Planning is Flexible

Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible. When market conditions change, planners have to make necessary changes in the existing plans.

9. Planning is an Integrated Process

Plans are structured in a logical way wherein every lower-level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.

10. Planning Includes Efficiency and Effectiveness Dimensions

Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Elements of Planning

1. Objectives

The important task of planning is to determine the objectives of the enterprise. Objectives are the goals towards which all managerial activities are aimed at. All planning work must spell out in clear terms the objectives to be realized from the proposed business activities. When planning action is taken, these objectives are made more concrete and meaningful. For example, if the organizational objective is profit earning, planning activity will specify how much profit is to be earned looking into all facilitating and constraining factors.

2. Forecasting

It is the analysis and interpretation of future in relation to the activities and working of an enterprise. Business forecasting refers to analyzing the statistical data and other economic, political and market information for the purpose of reducing the risks involved in making business decisions and long-range plans. Forecasting provides a logical basis for anticipating the shape of the future business transactions and their requirements as to man and material.

3. Policies

Planning also requires laying down of policies for the easy realization of the -objectives of business. Policies are statements or principles that guide and direct different managers at various levels in making decisions. Policies provide the necessary basis for executive operation. They set forth overall boundaries within which the decision-makers are expected to operate while making decisions. Policies act as guidelines for taking administrative decisions.

In a big enterprise, various policies are formulated for guiding and directing the subordinates in different areas of management. They may be production policy, sales policy, financial policy, personnel policy etc. But these different policies are coordinated and integrated in such a way that they ensure easy realisation of the ultimate objectives of business. Policies should be consistent and must not be changed frequently.

4. Procedures

The manner in which each work has to be done is indicated by the procedures laid down. Procedures outline a series of tasks for a specified course of action. There may be some confusion between policies and procedures. Policies provide guidelines to thinking and action, but procedures are definite and specific steps to thinking and action. For example, the policy may be the recruitment of personnel from all parts of the country; but procedures may be to advertise and invite applications, to take interviews and offer appointment to the selected personnel.

Thus, procedures mean definite steps in a chronological sequence within the area chalked out by the policies. In other words, procedures are the methods by means of which policies are enforced. Different procedures are adopted in different areas of business activities. There may be production procedure, sales procedure, purchase procedure, personnel procedure etc.

Production procedure involves manufacturing and assembling of parts; sales procedure relates to advertising, offering quotations, securing and execution of orders; purchase procedure indicates inviting tenders, selecting quotations, placing orders, storing the goods in go-down and supplying them against requisition to different departments and personnel procedure is the recruitment, selection and placement of workers to different jobs.

5. Rules

A rule specifies necessary course of action in a particular situation. It acts as a guide and is essentially in the nature of a decision made by the management authority. This decision signifies that a definite action must be taken in respect of a specific situation. The rules prescribe a definite and rigid course of action to be followed in different business activities without any scope for deviation or discretion.

Any deviation of rule entails penalty. Rule is related to parts of a procedure. Thus, a rule may be incorporated in respect of purchase procedure that all purchases must be made after inviting tenders. Similarly, in respect of sales procedure, rule may be enforced that all orders should be confirmed the very next day.

6. Programmes

Programmes are precise plans of action followed in proper sequence in accordance with the objectives, policies and procedures. Programmes, thus, lead to a concrete course of inter-related actions for the accomplishment of a purpose. Thus, a company may have a programme for the establishment of schools, colleges and hospitals near about its premises along with its expanding business activities.

Programmes must be closely integrated with the objectives. Programming involves dividing into steps the activities necessary to achieve the objectives, determining the sequence between different steps, fixing up performance responsibility for each step, determining the requirements of resources, time, finance etc. and assigning definite duties to each part.

7. Budgets

Budget means an estimate of men, money, materials and equipment in numerical terms required for implementation of plans and programmes. Thus, planning and budgeting are inter-linked. Budget indicates the size of the programme and involves income and outgo, input and output. It also serves as a very important control device by measuring the performance in relation to the set goals. There may be several departmental budgets which are again integrated into the master budget.

8. Projects

A project is a single-use plan which is a part of a general programme. It is part of the job that needs to be done in connection with the general programme. So a single step in a programme is set up as a project. Generally, in planning a project, a special task force is also envisaged.

It is a scheme for investing resources which can be analysed and appraised reasonably and independently. A project involves basically the investment of funds, the benefits from which can be accrued in future. Examples of such investment may be outlays on land, building, machinery, research and development, etc. depending upon the situation.

9. Strategies

Strategies are the devices formulated and adopted from the competitive standpoint as well as from the point of view of the employees, customers, suppliers and government. Strategies thus may be internal and external. Whether internal or external, the success of the plans demands that it should be strategy-oriented.

The best strategy of planning from the competitive standpoint is to be fully informed somehow about the planning ‘secrets’ of the competitors and to prepare its own plan accordingly. Strategies act as reserve forces to overcome resistances and reactions according to circumstances. They are applied as and when required.

Objectives of planning

1.Forecast’s the Course
The most important ingredient of planning is forecasting. This is basically plan development as per policies and requirement of the organization.

2. Forward Bearing
Planning provides specific forward momentum to all the activities in the organization by chalking out the future working procedure.

3. Assured Activities
Planning drafts the policies, working procedure and decides controlling process for the activities in an organization so that confidence level increases in employees & management regarding the accomplishment of predefined goals.

4. Forecast’s the Risk
Planning forecasts the future threats, therefore technical strategies are most often planned and decided in advance to overcome the inconsistency or tackle the problems successfully.

5. Helps in Establishing Co-ordination
Planning is the forefront initiator in any organization regarding coordination. This coordinates all the departments and also policies, procedures, objectives, etc. in business or industrial unit.

6. Develops in Facing Competition
Assists and develops the organization to face competitions of all sorts and in all aspects. This strategic process is part of the objectives of planning.

7. Managing Budgetary Targets

Budgetary Targets are executed & achieved as per the planning. It is a helping hand in planned budget utilization.

8. Present Important Information's

Planning makes available adequate information and communicates it to the employees in the organization as well as presents a positive picture of organization, its policies, functioning and results to the outside world.

9. Economy in Management

Having better coordination in an organization between employees & management the pre decided goals proceed as per the requirement, all types of wastages is brought to the minimum. This helps in achieving the efficiency in the overall economy of management.

Types of Planning

1.Operational Planning

"Operational plans are about how things need to happen, motivational leadership speaker Mack Story said at LinkedIn. "Guidelines of how to accomplish the mission are set."

This type of planning typically describes the day-to-day running of the company. Operational plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.

2. Strategic Planning

"Strategic plans are all about why things need to happen," Story said. "It's big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision."

Strategic planning includes a high-level overview of the entire business. It's the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.

3.Tactical Planning

"Tactical plans are about what is going to happen," Story said. "Basically, at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans."

Tactical planning supports strategic planning. It includes tactics that the organization plans to use to achieve what's outlined in the strategic plan. Often, the scope is less than one year and breaks down the strategic plan into actionable chunks. Tactical planning is different from operational planning in that tactical plans ask specific questions about what needs to happen to accomplish a strategic goal; operational plans ask how the organization will generally do something to accomplish the company's mission.

4. Contingency Planning

Contingency plans are made when something unexpected happens or when something needs to be changed. Business experts sometimes refer to these plans as a special type of planning.

Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can't be foreseen. As the business world becomes more complicated, contingency planning becomes more important to engage in and understand.

Steps in Planning

A plan is essentially today's design for tomorrow's action and an outline of the steps to be taken in future. A good plan must be simple, balanced and flexible, and make utmost use of the existing resources. It must be based on clearly defined objectives.

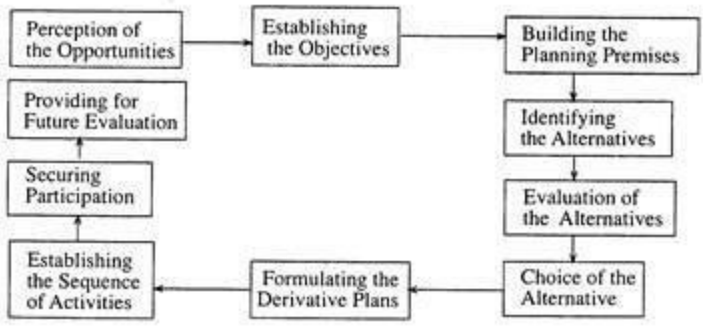


Fig. 3.4: Planning Process.

1. Perception of the Opportunities

The manager must first identify the opportunity that calls for planning and action. This is very important for the planning process because it leads to formulation of plans by providing clue as to whether opportunities exist for taking up particular plans.

Perception of opportunities includes a preliminary look at possible opportunities and the ability to see them clearly and completely, an understanding of why the organization wants to solve the uncertainties and a vision what it expects to gain. This provides an opportunity to set the objectives in real sense.

2. Establishment of the Objectives

The next step in the planning process lies in the setting up of objectives to be achieved by the enterprise in the clearest possible terms keeping in view its strength and limitation. Objectives specify the results expected in measurable terms and indicate the end points of what is to be done; where the primary emphasis is to be placed, and what is to be accomplished by various types of plans. Enterprises start with a general objective.

From this are developed subordinate goals that contribute to the attainment of the general objective. These, in turn, are supported by the specific objectives for the departments. In this process a hierarchy of objectives is created. The plans at each level of the organization are made for the attainment of the appropriate objectives in the hierarchy. This hierarchy can be built up by coordinating the plans of different departments.

3. Building the Planning Premises

After determination of the organizational goals, it is necessary to establish planning premises, that is, the conditions under which planning activities will be undertaken. This involves collection of facts and figures necessary for planning the future course of the enterprise. 'Planning Premises' are planning assumptions relating to the expected environmental and internal conditions.

So, planning premises are of two types—external and internal. External premises include total factors in the environment like social, political, technological, competitors' plans and actions, government policies, etc. Internal factors include the organization's policies, resources of various types, and the ability of the organization to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

4. Identifying the Alternatives

The next step in planning process is to search for various alternative courses of action based on the organizational objectives and planning premises. A particular objective can be achieved through various actions. For example, if an organization has set its objective to grow further, it can be achieved in several ways like expanding the field of business or product line, joining with other organizations, or taking over another organization, and so on. Within each category, there may be several alternatives.

Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce in preliminary examination the number of alternatives that do not meet the minimum preliminary criteria. Preliminary criteria can be defined in several ways— minimum investment required, matching with the present business of the organization, control by the government, etc.

5. Evaluation of the Alternatives

Various alternative courses that are considered feasible in terms of preliminary criteria have to be taken for detailed evaluation. Alternative courses of action can be evaluated against the criteria of cost, risks, benefit and organizational facilities. The strong and weak points of every alternative should be analyzed carefully.

Since there are so many complex variables connected with each goal and each possible plan, the process of comparative evaluation is extremely difficult. For example, one alternative may be the most profitable but requires heavy investment; another may be less profitable but also involves less risk.

Moreover, there is no certainty about the outcome of any alternative course because it is related with future which is not certain. Ultimately, the choice will depend upon what is determined as the most critical factor from the point of view of the objectives of the enterprise.

6. Choice of the Course of Action

After the evaluation of various alternatives, the most appropriate one is selected as the plan. Sometimes evaluation shows that more than one alternative are equally good. In such a case, the manager may choose more than one alternative at the same time. There is another reason for choosing more than one alternative. Alternative course of action may be required to be undertaken in future in changed situations. So, the planner must also be ready with alternative—normally known as contingency plan— that can help coping up with the changed situation.

7. Formulation of Supporting or Derivative Plans

After the best alternative is decided upon, the next step is to derive various plans for different departments or sections of the organization to support the main plan. In an organization, there can be various derivative plans like planning for buying raw materials and equipment, developing new product, recruiting and training the personnel, etc.

These derivative plans are formulated out of the main plan and so they support it. The break-down of the master plan into departmental and sectional plans provides a realistic picture of the actions to be taken in future. Establishing the Sequence of Activities

After formulating the basic and derivative plans, the sequence of activities is determined so that the plans are put into action. Based on the plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to make plans more concrete for implementation.

8. Securing Participation

Plans must be communicated in greater details to the subordinates to increase their understanding of the proposed action and for enlisting their co-operations in the execution of plans. It will, thus, add to the quality of planning through the knowledge of additional facts, new visions and revealing situations.

9. Providing for Future Evaluation

For ensuring that the selected plans are proceeding with the right lines, it is of paramount importance to devise a system of continuous evaluation and appraisal of the plan. It will help in detecting the shortcomings and pitfalls of the plans and taking remedial actions well in time. All the steps in the process of planning must be linked and co-ordinated with each other. For successful implementation of a plan, it must be communicated to all levels of the organization.

Decision Making

Decision making can be defined as the process of selecting a right and effective course of action from two or more alternatives for the purpose of achieving a desired result. Decision-making is the essence of management.

According to **P. F. Drucker** – "Whatever a manager does he does through making decisions." All matters relating to planning, organizing, direction, co-ordination and control are settled by the managers through decisions which are executed into practice by the operators of the enterprise. Objectives, goals, strategies, policies and organizational designs are all to be decided upon in order to regulate the performance of the business.

Importance of Decision-Making

Management is essentially a bundle of decision-making process. The managers of an enterprise are responsible for making decisions and ascertaining that the decisions made are carried out in accordance with defined objectives or goals.

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

When plans go wrong or out of track, the managers have to decide what to do to correct the deviation.

In fact, the whole planning process involves the managers constantly in a series of decision-making situations. The quality of managerial decisions largely affects the effectiveness of the plans made by them. In organizing process, the manager is to decide upon the structure, division of work, nature of responsibility and relationships, the procedure of establishing such responsibility and relationship and so on.

In co-ordination, decision-making is essential for providing unity of action. In control, it will have to decide how the standard is to be laid down, how the deviations from the standard are to be rectified, how the principles are to be established how instructions are to be issued, and so on.

The ability to make good decisions is the key to successful managerial performance. The managers of most profit-seeking firms are always required to take a wide range of important decision in the areas of pricing, product choice, cost control, advertising, capital investments, dividend policy, personnel matters, etc. Similarly, the managers of non-profit seeking concerns and public enterprises also face the challenge of taking vital decisions on many important matters.

Decision-making is also a criterion to determine whether a person is in management or not. If he participates in decision-making, he is regarded as belonging to management staff. In the words of George Terry "If there is one universal mark of a manager, it is decision-making."

Steps in Decision Making

Step 1 Identify the decision

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

Step 2 Gather relevant information

Collect some pertinent information before you make your decision what information is needed, the best sources of information, and how to get it. This step involves both internal and external "work." Some information is internal you'll seek it through a process of self-assessment. Other information is external you'll find it online, in books, from other people, and from other sources.

Step 3 Identify the alternatives

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

Step 4 Weigh the evidence

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you'll begin to favor certain alternatives those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

Step 5 Choose among alternatives

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

Step 6 Take action

You're now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

Step 7 Review your decision & its consequences

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has *not* met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

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