

Centre For Distance and Online Education

B.com Part II Semester IIIrd

Booklet –I

PunjabiUniversity, Patiala



Department website: www.pbidde.org

SYLLABUS BC 303: PRINCIPLES OF BUSINESS MANAGEMENT

Time allowed : 3 hours
Pass Marks : 35%
Periods per week : 6

Max Marks: 100
Internal Assessment: 30
External Assessment: 70

Instructions for Paper-Setters/Examiners

The question paper covering the entire course shall be divided into three sections as follows:

SECTION-A

It will consist of essay type questions. Four questions shall be set by the examiner from Unit-I of the syllabus and the candidate shall be required to attempt two. Each question shall carry 10 marks; total weight of the section shall be 20 marks.

SECTION-B

It will consist of essay type questions. Four questions shall be set by the examiner from Unit-II of the syllabus and the candidate shall be required to attempt two. Each question shall carry 10 marks; total weight of the section shall be 20 marks.

SECTION-C

It will consist of 12 very short answer questions from entire syllabus. Students are required to attempt 10 questions up to five lines in length. Each question shall carry 3 marks; total weight of the section shall be 30 marks

UNIT - I

Introduction: Concept, nature, process and significance of management; An overview of functions of Management.

Planning: Concept, process and types; Decision making: Concept and process. Management by objectives. Organising: Concept, nature, process and significance; Authority and responsibility relationships. Staffing: Nature, Scope and Process.

UNIT - II

Motivation: Concept, Theories : Maslow, Herzberg, McGregor. Leadership: Concept and leadership styles, Leadership theories. Communication: Nature, process, networks and barriers, Effective communication.


Controlling : Nature, importance, areas of control, control process. Management of Change: Concept, Nature and process of planned change.

Course outcome: The students will be versed with various managerial functions. They can use this skill whenever they join the managerial positions or start their own business ventures.

Suggested Readings:

1. Koontz O' Donnell : Management
2. LM Prasad: Principles & Practices of Management
3. Terry and Franklin : Fundamentals of Management

4. Groff and Jones: Knowledge Management in Business
5. CP Mahajan: Principles and Techniques of Business
6. Rolph Lewis: Time Management

	<p style="text-align: center;">B. COM. PART - II SEMESTER-III</p> <p style="text-align: right;">B.C. 303</p> <p style="text-align: center;">PRINCIPLES OF BUSINESS MANAGEMENT-I</p>
<p style="text-align: center;">Centre for Distance and Online Education Punjabi University, Patiala (All Copyrights are Reserved)</p>	<p style="text-align: center;"><u>PART-I</u></p> <p>LESSON NO. :</p> <p style="text-align: center;"><u>UNIT NO. 1</u></p> <p>1.1 : INTRODUCTION TO MANAGEMENT</p> <p>1.2 : MANAGEMENT THOUGHTS</p> <p>1.3 : CLASSICAL AND NEO CLASSICAL SYSTEM</p> <p>1.4 : PLANNING</p> <p>1.5 : DECISION MAKING</p>

INTRODUCTION TO MANAGEMENT

Structure of the Lesson :

- 1.1.1 Objectives**
- 1.1.2 Introduction**
- 1.1.3 Concepts of Management**
 - Self Check Exercise-1**
- 1.1.4 Nature and Scope of Management**
- 1.1.5 Administration Vs Management**
- 1.1.6 Nature or Characteristics of Management**
- 1.1.7 Management-A Science or an Art ?**
 - Self Check Exercise-2**
- 1.1.8 Management Techniques**
- 1.1.9 The Functions of a Manager**
 - Self Check Exercise-3**
- 1.1.10 Significance or Importance of Management**
- 1.1.11 Summary**
- 1.1.12 Answers to Self Check Exercises**
- 1.1.13 Glossary**
- 1.1.14 Exercise**
- 1.1.15 Recommended Readings**

1.1.1 OBJECTIVES

The purpose of this lesson is to:

- Introduce the concept of Management.
- Discuss the nature and scope of management.
- To understand the distinction between Administration and Management.
- To introduce the list of management techniques.
- To discuss the various functions performed by the manager.

1.1.2 INTRODUCTION

The organization & coordination of the activities of a business in order to achieve defined objectives is called management. The basic unit of a society is the individual. But no individual can satisfy all of his desires himself. Therefore, he unites with his fellow beings and works in an

organized group to achieve what he cannot achieve individually. Management is an essential part of any group activity. It is a universal process in all organized social and economic activities. Initially the resources were in abundance but how to optimize their use for development of human race was unknown. There was hardly any difference between a human being and other living creatures. Both were always in search of food and shelter. But soon man with brilliant brain left behind every other species to growth rather very faster. The first lesson to the ancient man was perhaps to live in groups, both for protection and collective action for food gathering. Thus begins a process of transforming civilization from an individual efforts to a collective effort. A group or collective action means need of managing person and every actions to get the desired results. Here begins the origin of very significant phenomenon of modern era i.e. management.

Management is composed of three words : manage-men-tactfully to get things done efficiently. In the words of Harold Koontz, "Management is the process of designing and maintaining an environment in which individuals, working together in groups, accomplish efficiently selected aims". Further, Koontz expanded this definition :

As managers they perform the managerial functions of planning, staffing, leading and controlling

- Management applies to any kind of organization.
- It applies to all managers at all organizational levels.
- The aim of all managers is same i.e. to create surplus.
- Managing is concerned with productivity that implies

effectiveness and efficiency.

Force has to operate to fulfill desired results and predetermined targets. A significant part of this definition is giving stress on the role-played by a manager. It is his personality which plays a very crucial role in the overall process of management with the help of his various policies. A manager is responsible for efficient use of resources to give maximum output and he manages all through his men or human resources available or non human resources.

1.1.2.1 Definition of Management

Management deals with clearly defined activities without which progress is not possible. It defines its concepts, principles, money related to managerial functions. Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. The basic definition needs to be expanded:

I. As managers, people carry out the managerial functions of planning,

organizing, staffing, readership and controlling. II. Management applies to any kind of organization. III. It applies to managers at all organizational levels. IV. Management is concerned with productivity, which implies effectiveness and efficiency.

"To manage is to forecast, to plan, to organize, to command, to coordinate and to control:

According to Marriot and Douglas, "Management is the process by which a cooperative group directs actions of others towards common goals".

(A) Management in business and organization is the function that coordinates the efforts of people to accomplish goals and objectives using available resources efficiently and effectively. According to M.P. Follett, "Management is the art of getting things done through people".

(According to Mary Parker Follett, "Management is the art of getting things done through people.")

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

According to Louis Allen, "Management is what a manager does."

According to F.W. Taylor, "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

According to George Terry, "Management is a distant process consisting of planning, organizing, activating and controlling performance to determine and accomplish the objectives by the use of human beings and other resources."

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

According to Herbison and Myers, "Management is rule-making and rule-enforcing body, and within itself it is bound together by a web of relationships between superiors and subordinates."

So management broadly is optimum combination of human resources to produce desired output at most competitive cost.

Management is now regarded as a normal discipline in industrial and academic life. Management is an integration and application of knowledge, tools and techniques drawn from a number of disciplines. In the ultimate analysis, management is a process of decision making.

Herbison and Mayors have taken a three-fold view of the management as an economic resource, as a system of authority and as a class of life.

Sociologists view management as a class and status system. The modern society is based on organizations. With scientific and technological advancement, organizations are growing rapidly and becoming more

complex. Some other few important definitions of management are :

In words of Stanley Vance, 'Management is simply the process of decision making and control over the action of human beings for express purpose of attaining the pre-determined goals.'

John F. MEE. defined Management, 'as the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give by the public the best possible service.'

Another definition given by Joseph Massie defines management as the process by which a cooperative group directs action towards common goals.

The central idea behind all above definitions given by various management thinkers is that a manager is responsible for getting things done through and with people. He endeavours to fulfill the common goals by directing human activities with the help of other available resources. The managers are the activating elements who convert different disorganised resources and productive factors such as men, money, materials, machines and methods into a useful enterprise. Thus, integration is the corner stone of the managerial function. This integration is of two types i.e. the internal integration and the external integration. Both are equally significant and of due importance. Internal integration is consisting of all matters relating with domestic sector of any organization. It covers various individual factors effecting one's performance and motivation; optimum use of input resources available; determination of priority areas; all internal efforts directed towards achievement of overall objective of the organisation. The experiences have shown that for successful stay in the business world it is must that internal matters of the organisation should be well set first. Equally important is the external environment which ultimately decides the economic health of any organisation. Though the external environment is consisting of a variety of factors and components, yet significant ones are consumers, investors, suppliers and government etc. These few components are ultimately going to decide the fate of any organisation. It is must for a company to have good and cordial relation with all so as to achieve benefits.

1.1.3 CONCEPTS OF MANAGEMENT

Management concepts is the nation's premier provider of professional development, performance improvement & talent management solutions.

1. Functional Concept - Management is what a manager does.
2. Human Relation Concept - Management is an art of getting things done through others.

3. Leadership and Decision-making Concept - Management is an art and science of decision making and leadership.
4. Productivity Concept - Management is an art of increasing productivity
5. Integration Concept - Management is the coordination of human and material resources.

1.1.3.1 Objectives of Management

1. To run the enterprise smoothly and earn maximum profits: The main objective of the management is to coordinate all the resources through the process of planning, organizing, directing and controlling so as to run the enterprise smoothly and earn the maximum profits.
2. Proper utilization of resources: The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of 5Ms (Men, Money material, machine and method) will help a business to earn sufficient profits.
3. Improving performance: The fixing of objectives of various factors of production will help the organization in improving their performance.
4. Mobilizing best talent: The employment of experts in various fields will help in enhancing the efficiency of various factors of production. There should be a proper environment like better pay scales, proper amenities, and future growth potentialities to attract more people to join the enterprise.
5. Planning for future: Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So planning for future is essential for every organization.
6. Growth and development of business: Proper planning leads to the growth and development of business on sound footing which helps in profitable expansion of the business.
7. Better quality goods/services: The aim of a sound management has always been to produce better quality products at minimum cost. Thus it tries to remove all types of wastages in the business.
8. Ensuring regular supply of goods: Regular supply of goods keeps the prices of goods within permissible limits
9. Minimizing risk element: Management involves the function of forecasting. Though the exact future can never be predicted yet on the basis of previous experience and existing circumstances, management can minimize the element of risk.

10. Discipline and Morale: The management maintains the discipline and boosts the morale of the individuals by applying the principles of decentralization and delegation of authority. It motivates the employees through monetary and non monetary incentives. It helps in creating and maintaining work culture.

1.3.1 Promotion of Research: The greatest drawback in indian business is its lack luster approach towards research. Management give hardly any importance to research activities. It restricts their strength and capacity to compete in the market. There is a need to keep oneself aware of what is going on in the market and prepare to face it. The promotion of research is the only answer at present. Management should always try to get benefits of latest technological changes and ready to face the future with confidence and zeal.

Self Check Exercise 1

1. What do you understand by term management?
2. "Management is getting things done through others".
Comment.
3. What are the objectives of Management?

1.1.4 NATURE AND SCOPE OF MANAGEMENT

While discussing the nature and scope of management, we can safely advance this argument that, 'Management is a social process.' It is directly in charge of allocation, utilization and coordination of all human and material resources to be procured from the business environment or the society. The environment provides these resources as inputs to a business enterprise. Most of these resources are scarce and have alternative uses. Management has to evolve optimum combination of these resources or inputs. The resources are coordinated and integrated by the management through performing the typical managerial functions, viz., planning, organizing, staffing, leading, motivating, communicating, and controlling. These functions constitute the process of management and are basically incorporated under the nature and scope of management systems. These basic resources are subjected to fundamental nature and functions of management.

At the time of making analysis regarding scope of management, it is necessary to determine the objectives and goals and to take appropriate action i.e. to implement the plan in order to accomplish the stated objectives. Controlling ensures performance as per plan and enables the management to remove the deviations, if any, between the actual and the expected results. As people are our greatest resources, management has

a special responsibility to create favourable work environment and ensure maximum employee morale and productivity. Hence, management has not only to manage business but also to manage both managers and workers. Motivation and the leadership are two unique functions or activities to ensure maximum use of human resources without sacrificing human welfare and human satisfaction.

To carry out the various activities of management successfully and effectively a manager will be called upon to play different roles under different situations, such as planner, coordinator, leader, liaison (connecting link), monitor, spokesman, disseminator of information, risk bearer, resource allocator, negotiator, disturbance handler, resolver of interpersonal and inter-departmental conflicts and so on.

Classical or bureaucratic management is appropriate and proper where the environment is relatively unchanging. Behavioural and organic management is appropriate where the environment is dynamic, innovation and creativity are at a premium.

Management is thus a very sensitive and significant process and the role of Manager is supposed to be much dynamic in it. With ever changing market conditions, he is supposed to be involving himself in decision making with the latest happenings and should not wait for opportunities, rather should create them. As discussed earlier, the discipline of management is drawn from various other disciplines so there may arise some confusion in determining the exact nature of any principle in it. It may be taken from any other concerned discipline. Then a major problem is to find difference between two words, Administration and Management.

1.1.5 ADMINISTRATION VS MANAGEMENT

Administration frames the objectives and policies of an organisation. Management implements these policies and objectives.

A lot of confusion is factually in prevalence about the difference in these two words. Some management thinkers are taking these two words as synonymous. William Newman has used the term Administrative manager and executive in same sense. Similarly Mcfarland thinks that these are synonymous though he points out a little distinction. In his words, administration is widely used in government agencies.

In a broader context administration is concerned with the overall determination of policies and objectives and setting of major goals and laying out the broad programmes, whereas management tends execution of the objectives and programmes. Thus, administration is more determinative whereas management refers to execution.

Administration refers to the managerial function of planning and control the management function relates to two aspects i.e.

- administrative management
- operative management

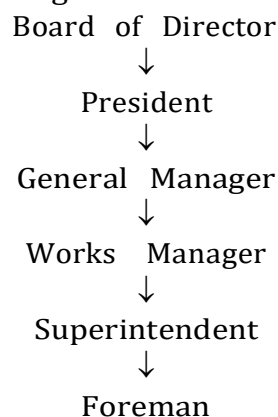
Administrative management relates to policies followed for achievement of predetermined standards; the operative management is actual execution i.e. use of various inputs optimally to get output and actual execution of plans and strategies.

A very important distinction is given by Oliver Sheldon in three concepts i.e., Administration, Management and Organisation. In his words, "Administration is the function in industry concerned with the determination of the corporate policy, the co-ordination of Finance, production and distribution, the settlement of the compass of the organization and the ultimate control of the executive."

Management is the function which is concerned in execution of policy within the limits set up by administration, and the employment of the organization for particular objects set before it.

Organization is the process of combining the work which individuals or groups have to perform with the faculty necessary for its execution that the duties, so formed provide the best channel for the efficient systematic positive and co-ordinated application of the available effort.

The top management devotes more time for administrative activities and less in performing managerial activities. The Figure below illustrates this point. From Board of Directors to a Foreman, the variance between administration and management goes on.



1.1.6 NATURE OR CHARACTERISTICS OF MANAGEMENT

Management gives different meaning to different authors. Each definition lays emphasis on a particular aspect of management thereby presenting

only a partial view of the total concept of management. Over a period of time management techniques to manage a business have undergone a change thus the nature of management can be studied as such:

- Management is Multidisciplinary.
- Management is a group activity.
- Management is goal-oriented.
- Management is a factor of production.
- Management is a universal character.
- Management is a social process.
- Management is a system of authority.
- Management is a dynamic function.
- Management is an art as well as a science.
- Management is a profession.

1.1.7 MANAGEMENT-A SCIENCE OR AN ART

Management as an art:- Art refers to the way of doing specific things, it indicates how an object can be achieved.

Management of a science:- Science may be described as a systematized body of knowledge based on proper findings and exact principles and is capable of verification.

The controversy with regard to the nature of management as to whether it is a science or an art is quite prolonging one. The earlier bosses of the industry and managers used intuition, common sense and their experience to tackle the problems. They had hardly any professional training but still they gave marvellous results and were very successful. The biggest example given in this respect is regarding General Motors. General Motors used intuition and common sense in managing the affairs of their organization.

Science is not based on common sense, rather it is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. Facts in science are subject to constant verification. For a discipline to be science, it is must that it should contain generalisations and principles which are true. Management too contains many laws and principles based on various management practices but they are not applicable universally. Thus, a discipline where principles and laws are not universally applicable can not be called true science.

A different feature of Management is that it contains the human factor involvement in its various practices and functions. Basically a process of decision making, Management has to take in consideration the emotional factor which sometimes takes it away from facts.

The contribution in this concept made by Peter Drucker is quite significant. He tries to relate management with concept of social responsibility or welfare concept. In his views, the functions of management are to manage the business, managers, workers and work. The objective of business after all is to serve the society, the people. Business provides a society many things i.e. services, goods and commodities, employment etc. When in management we deal with tangibles, it is more or less scientific. The collection of data and facts and their systematic analysis for decision making or making future forecasts predictions and exercising control may also be considered as scientific. Moreover in the production process of every business activity, latest technology and knowledge is used, which also falls in domain of science.

The social responsibility of management, the value system of management and its perception with regard to social norms are not all scientific. Social aspect of management has thus resemblances with art as it involves value judgment. The internal forces of human being, the emotions, feelings etc. and with effect of external factors all have their influence when individual behaviour is analysed and working environment is taken into consideration. Though under specific circumstances an individual's behaviour can be predicted, still to be more accurate in this job, one needs to use his common sense and experience.

The role of manager in management is very important. Thus man has to use all kinds of techniques and tools to successfully handle the affairs of business. He may be scientific in his approach but he has to take into consideration other significant factors also. His ability, his deep insight and his power of understanding alongwith his knowledge, wisdom and experience are things settled on right track. On one side a Manager is scientifically handling the various input resources but on other side he is holding and taking work from a living being.

Considering all the factors, it can be said that Management is a discipline which has originated from the mixture of many subjects. It contains, both the elements of science and art.

Thus, management is relatively a new area of learning. As a matter of fact, ethic, logic, philosophy and mathematics are a few oldest disciplines and all other disciplines are off springs of these basic disciplines. A discipline, in the true sense must have the core or principles and generalisations and it must have a basic doctrine in which are enshrined, the essential features underlying, effective accomplishment; it is a

thought process underlying action and deduced from systematic study of previous actions. Judged from this criterion, management has its own theories, its own problems and its own specific approaches and areas of study. Management is practice as well as performance.

A great management thinker Elton Mayo is of the view that there are two types of sciences, the successful sciences-like chemistry, physics and physiology and the unsuccessful science's like psychology and political science. In unsuccessful science a student has no single skill to learn but he learns from books, spending hours in libraries, ancient formulae. Management from this point of a view is a very extensive subject which can be partly taught and learned through practical experience.

Self Check Exercise 2

1. Enlist the characteristics of management.
2. Management is science or art. Discuss

1.1.8 MANAGEMENT TECHNIQUES

In a broader sense, techniques are essential ways of doing things and methods of accomplishment of set objectives. They are very significant and important in all disciplines so in case of management, though they are very less in case of managing. Some of these are budgeting, cost accounting, network planning, programme evaluation and review technique (PERT), Critical Path Method (CPM), Rate of return on investment (ROI), various devices of organizational development, management by objectives (MBO) etc.

1.1.9 THE FUNCTIONS OF A MANAGER

There are basically four management concept that allow any organization to handle the tractical, planned and set decisions. The fair basic functions of the management are just to have a controlled plan over the preventive measure. (planning, organisation, directing, controlling)

With the passage of time, the change in managerial functions is quite evident and the following chart is summarizing it all.

Valuation of Management Functions

- | | | | |
|----|---|---------------|------------------|
| 1. | Early-borrowed concept
Discipline | Plan-Organise | Command - |
| 2. | Management Process
Control
defined by-Fayol Henry
Coordinate | Plan-Organise | Command - |
| 3. | Further Modification | Plan-Organise | Direct - Control |
| 4. | Modified by behavioural | Plan-Organise | Motivate - |

Control
influence

5. Recent Modification Plan-Organise - Integrate - Measure
business
6. Suggested Further Modification Plan-Organise-Achieve - Appraise

Functions of Management given by Henny Fayol

In 1936 Luther Guick coined POSDCORB as an acronym for describing his list of management turn actions. These letters, stands for planning, organizing, staffing, direction, coordinating, reporting and budgeting, Koontz and o'Donnell have organized their work around the following function of management i.e. planning, organizing, staffing, leading and controlling. Before taking a final view about the managerial functions, it is must to take in consideration the need of time and situation. Management was an area which was almost unrecognized till 1990, but now it has become the central activity of our civilization. Sumerian civilization temple priest collected taxes and managed estates. The priests were accountable to the chief priest, who had a control over them. The priests regarded themselves as managers who recorded all the transactions of that time. Thus at that time, management was there, but managerial functions as performed by the priest were much different.

By using masses of organized labour the Egyptians were to accomplish which today astonishes the whole mankind. They were able to do the job with available resources. It is to their credit and their remaining edifices clearly indicate their management effectiveness and sophistication. Thus managerial functions were here, totally different.

With growing industrialization and need of industrial growth for overall economic development and growth has necessitated the fact that managerial functions have totally changed. It includes now a few factors which take into consideration the human feelings, emotions and attitudes.

1. Planning : Planning is looking ahead means to set a blue print for action. To decide about what to do ? When to do ? Who will do it ? Plans are of many types ranging from specific purpose to all purpose plans. Planning involves selecting missions and objectives and the action to achieve them, it requires decision making to choose path for the future course of action, the basis of decision on facts and considered estimates. There are seven elements of planning i.e. (i) objectives (ii) policies (iii) procedures (iv) rules (v) budget (vi) programmes and (vii) strategies. Planning process have to take in consideration (a) government policies (b) availability of technology at reasonable cost (c) existing and future market

conditions (d) Existing competitors and their market strategies.

All policies formulated should have three characteristics. They should be (i) flexible in nature (ii) subject to change and improvement (iii) subject to enforcement to be effective. Thus, a plan should be evaluated by considering two following questions :

- (a) To what extent each of these plans is in conformity with the basic or the co-operative objective of the business enterprise.
- (b) To what extent each of these plans satisfies the cost, speed, quality and return on investment requirement ?

2. Organizing : It is that part of managing that involves establishing an internal structure for people to fill in an organization. (It is intentional in the sense of making some that all the tasks necessary to accomplish goals are assigned). The main or chief aim of an organisational structure is to help in creating an environment for human performance. It is dividing whole activities into sub-activities and assigning authority to do work.

Organizing is not an easy job as it includes defining the kind of jobs. Plans can be effective to their fullest extent if the organizational structure is ready to face the challenges of business environment.

3. Staffing : Staffing includes all those activities and functions which are concerned with the selection of personnel. The positions in the organisation are filled up by competent and capable personnel. Staffing is done by identifying work force requirement, labour force available, recruiting, selecting, placing, promoting, compensating and training or otherwise developing both candidates and current job holders to accomplish their task effectively and efficiently. It is the competence of personnel which counts for the success of the organisation.

4. Leadership : History is evident that on some occasions due to lack of competent leader, even highly trained armies have lost miserably. Leading is thus a very crucial factor to give the energy to labour, a proper and progressive direction. According to Koontz, Leading is, influencing people in such a way, that they will contribute to organise the group goals. It has to do predominately with the inter-personal aspect of managing. All managers would agree that their most important problems arise from people, their desires and attitudes, their behaviour as individuals and in groups and that effective managers also need to be effective leaders.

5. Controlling : Controlling is looking back. Controlling in a nutshell includes such activities which are designed to compel events to conform to plans. It includes laying down performance standards, Measurement

interpretation and corrective actions.

It involves setting standards/goals. It measures performance against goals and plans, shows where negative deviation exists, Putting in motion actions to correct deviations, help in accomplishment of plans.

Though the managerial functions can not be restricted to these five activities yet broadly these five functions are covering most of them. Co-ordination is the essence of managership. It helps in achievement of harmony of individual efforts towards accomplishment of group goals. Each of Managerial function is an exercise contributing to co-ordination.

Self Check Exercise 3

Q.1 What are the various management techniques available in management?

Q.2 Planning means set a blue print for action. Comment.

1.1.10 SIGNIFICANCE OR IMPORTANCE OF MANAGEMENT

A sound organizing facilities administration promotes specialization encourages growth, and stimulates creativity. It can contribute to the success of an organisation. Hence, the points are discussed below:

In the case of business enterprise, management is all the more important, because "no business runs on itself, even on momentum, every business needs repeated stimulus which can only be provided by management. The following points highlight the importance of management as it helps for :

1. Achievement of group objectives.
2. Optimum utilization of resources.
3. Minimisation of Cost.
4. Increase in Profit.
5. Smooth running of business.
6. Innovation.
7. Achievement of Social benefits.
8. Meeting the challenges of changing environment.

Management has to play a more vital role in the developing countries like India, where productivity is low and the resources are limited.

1.1.11 SUMMARY

Thus it is very clear that origin of management was from the very origin of the human civilization i.e. when things started getting planned or taking a systematic shape from that of raw or unplanned one. Collective efforts at that time were managed for hunting and other primary tasks. Man was not aware of this unique phenomenon. He had just entered in that time but presently the reason of this massive development around us is management. It has just become an integral part of every human

activity. From a common household to a big multinational corporation, things are managed to control depletion of natural resources. It is very important to manage efficiently and successfully these resources. Management is now regarded as a normal discipline in industrial and academic life. Management is an integration and application of knowledge, tools and technique drawn from a number of disciplines. In the ultimate analysis, management is a process of decision making.

1.12 ANSWERS TO SELF CHECK EXERCISES :

Self Check Exercise 1

Q.1. Refer Para 1.2

Q.2. Refer Para 1.3

Self Check Exercise 2

Q.1. Refer Para 1.6

Q.2. Refer Para 1.7

Self Check Exercise 3

Q.1. Refer Para 1.8

Q.2. Refer Para 1.8 Pt. 1

1.13 GLOSSARY :

Word	Meaning
1. Abundance	: Plenty, Large Quantity
2. Significant	: Considerable, Important
3. Optimum	: Best Possible
4. Dynamic	: Vibrant, Self-motivated

1.14 EXERCISE

(A) Short Questions :

Q.1 Differentiate between Administration and Management.

Q.2 Management is Art or Science? Discuss.

Q.3 Define Planning.

(B) Long Questions :

Q.1 "Management is getting things done through others". Elaborate with suitable examples. *(Refer Para 1.2)*

Q.2 Define management. How it is helpful in organizational decision making? *(Refer Para 1.3)*

Q.3 Explain the various characteristics of management. *(Refer Para 1.6)*

1.15 Recommended Readings

1. Tripathy P.C; Reddy P.N. : Principles of Management
2. Dannelly James; James L. Gibson : Perceptives on Management
3. Koontz Harold; Weihrich H : Essentials of Management
4. Parsad L.M. : Principles & Practices of Management
5. Stoner. J : Management
6. Singh R.N. : Management Thought & Thinkers

LESSON NO. 1.2**AUTHOR : DR. B.B. SINGLA**

MANAGEMENT THOUGHTS**Structure of the Lesson :**

- 1.2.0 Objectives
- 1.2.1 Introduction
- 1.2.2 Management Thoughts
 - 1.2.2.1 The Scientific Management Movement -Classical Theory
 - 1.2.2.2 Elton Mayo : The Human Relation Approach-Neoclassical
 - 1.2.2.3 Henry Fayol : The Universalist-Classical
 - 1.2.2.4 Management Process Period
 - 1.2.2.5 H.A. Simon
 - 1.2.2.6 Peter Drucker
 - 1.2.2.7 Management Theory Jungle
- 1.2.3 Summary
- 1.2.4 Key words
- 1.2.5 Answers of Self Check Exercises
- 1.2.6 Exercise
- 1.2.7 Suggested Readings

1.2.0 OBJECTIVES

The following lesson includes the views of various experts in the area of Management. These management Gurus gave different-schools of thought like - Henry Fayol, F.W. Taylor, Peter Drucker etc. The second portion of the lesson covers the relationship between Manager and the environment in which, he has to work. So, the main objective of the lesson is to explain clearly different-different views of popular thinkers in the field of Management and also to make it clear that which environment forces affect the working of a manager in an organization.

1.2.1 INTRODUCTION

Management is as old as man himself. To quote an example, Kautilya whose actual name was Vishnu Gupta wrote Arthshastra in about 321 B.C. His main contributions were related to political, social and economic management of the state. Similarly historical proofs exist which make it

clear that management was known to people in ancient and medieval times. However systematic management development took place in last-200 years or so. Robert Owen and Charles Babbage are considered as earlier students of management in industry. Management is the process of designing and maintaining an environment for efficiently, accomplished elected aims, management carry out the functions of planning, organization, staffing, leadership and controlling. Management is an essential activity at all organization level, however the managerial skillers vary with the organizational level.

Stages in Management Thought : The evolution of management thought may be divided into three stages :

1. The Classical Theory of Management : It consist of :
 - (a) Bureaucratic Model : Max Webber introduced it around 1900.
 - (b) Scientific Management : F.W.Taylor propounded it around 1900.
 - (c) Process Management : Henry Fayol advocated functional or administrative or process management around 1910.
2. The Neo Classical Theory - It consist of :
 - (a) Human Relations Movement : Elton Mayo and Roethlis berger propagated it around 1930.
 - (b) Behavioural Sciences Movement : Introduced by A. Maslow, Mc. Gregor around 1940.
3. The Modern Management Theories : It comprises of :
 - (a) Quantitative Approach : It developed by Taylor around 1950.
 - (b) Systems Approach : Developed after 1950 by Boulding, Johnson and others.
 - (c) Contingency Approach : Developed by Lawrence and others.

1.2.2 MANAGEMENT THOUGHTS The goal of all manager is to create a surplus.

Robert Owen (1771-1858) believed that the returns from investment in human resources would be far superior than the investment in machinery and equipment. He is therefore considered as one of early contributors to the field of human resource management. He believes that manager should take the worker into his confidence and should not only tell him what is expected of him but also why, because an enlightened worker is a better worker.

Evolution of management thought

Many writers and practitioners have contributed to the development of management thought. Individual is the basic unit of society. But he himself cannot satisfy all the desires. Therefore, he unites with his fellow beings and works in an organized group. Like a family, a work group or a

business firm each human group requires management. This is the point from which management process started. Earlier Management was treated as an art and not science and the thinking was that Managers were born but not made but with the development of Management thought, it has changed.

Management and organizations are product of their historical and social times and place. Thus we can understand the evolution of management theory in terms of how people have wrestled with matters of relationship of particular times in history. As you study management theory you will learn that although the particulars concerns of Henry Ford and Alfred Sloan are very different from those facing managers in mid 1990's we can still see ourselves continue the tradition that the individuals began long before our time. By keeping in mind a frame work of relationships and time we can put ourselves in their shoes as student of management.

Management has drawn heavily from other disciplines. It is an integration and application of knowledge, tools and techniques drawn from a number of disciplines. Approaches to managerial problems are varied depending upon the specific problem and situation. The ultimate analysis, reveals management is decision making. Thus various micro and macro factors are taken into account while making decisions. As stated earlier, in simple words, management is getting things done through other people. It is process by which coordinated group activities are directed to all pre-determined common goals.

Now the development of management thought has given by the different thinkers from pre scientific era to modern era. So the evolution of management thought is described by different thinkers as follows:-
Robert Owen (1771-1858) (Pre-Scientific Era) : He worked as Manager in several Cotton Textile Mills at New Lanark, Scotland, between 1800-1828. In those days, the working and living conditions of the workers were miserable.

- * It was common a practice to employ children of 5-6 years of age and working day used to be 13 hours long. Owen was a reformist and he introduced several reforms in his Mills. He reduced the working day to 10½ hours and did not employ children below 10 years of age.
- * He provided housing facility to his workers and started a company store where goods of common use were made available to the workers at reasonable and cheap prices.
- * He was the first man who paid attention towards labor welfare. He

advocate for change in the attitude of industrialist towards workers. He was of opinion that man should not be treated as secondary and inferior machine.

- * He introduced the system of open rating of workers' work on daily basis.
- * He eliminated corporal punishment of children and insisted on their education.
- * He introduced a system of motivation for increasing productivity in his factory.
- * He emphasized human character which was the product of physical and moral environment. This approach was paternalistic.

These reforms by Robert Owen proved to very successful for the organization. He earned more than 50% return on investment whereas average rate of return on other mills was about 20%. His experiment proved that investment in human resources was more profitable than investment in machinery and other resources.

Charles Babbage (1792-1871) (Pre-Scientific Era): He was a mathematical genius and a Cambridge Professor. He studied the conditions of factories in England and France and found that most of factory owners used to work on the basis of estimates and imagination. They were guided by traditions. They were quite ignorant about the tools of science and methods.

Two works of Babbage are regarded as pioneering works-

- 1) "The difference engine"
- 2) "On the economy of machinery and manufacturers"

He emphasized that good machine and efficient work do not necessarily ensure success in business. Good management which directs and controls machines and workers is the most important element in the successful business.

His contributions are

- 1) He studied the importance of division of assignment of labor on basis of skills.
- 2) He studied the means of determining the feasibility of replacing manual operations with mechanical operations.

In his proposals he suggest

- * Analyze manufacturing process and cost.
- * Use of time study techniques
- * Use printed form for investigation

- * Use of comparative method of studying business practices
- * Determine how best to frame questions
- * Determine demand, from statistics based on income
- * Centralized the production processes for economy
- * Inaugurate research and development

Charles Duplin (1784 -1873): He was a French Engineer and has advocated for the interest in management education rather than human beings or technology. He was the first man who made attempt for the systematic management education. According to him management is an ancient art and was initially of interest to the political thinkers. With the coming of the industrial revolution interest began to centre around the factory and mechanical production. The problems during that time were, from an administrative perspective, essentially the same as in earlier periods, but new ideas and solutions were needed. Therefore, prior to the beginning of the twentieth century, the essential elements were present for the emergence of systematic management thought.

1.2.2.1 The Scientific Management Movement

An early 20th century school of management thought concerned primarily with the physical efficiency of an individual workers. Scientific management is based on the work of the us engineer rederick winslow Taylor,

Scientific Management also called Taylorism, is a theory of management that analyzes and synthesizes Work Flows. It main objective is improving economic efficiency, especiality labour production. Many techniques used by managers today have their roots in scientific management movement that aroused enthusiasm among managers in the first two decades of the twentieth century.

Frederick W. Taylor is known as father of the Scientific management thoughts. Taylor's writing came to us in collective form under the title. 'The Principles of Scientific Management' (1911) which shows him as the first pioneer in the field of industrial productivity and scientific how-cost industrial output and administration. Taylor has shown that the objectives of industries can be achieved through measurable techniques and based on scientific assumptions, analysis and deduction.

The basic thoughts and principles that Taylor put across in his teachings and concepts are :

- (1) The methods of science can be applied to management.

- (2) Observation, measurement, standardization and specialization are elements which can be applied to industry.
- (3) High wages and financial incentives motivate workers to high efficiency and productivity, which is mutually beneficial to workers and managers.
- (4) Standardized working conditions can improve worker's efficiency and sustained attention to, work. In this field, Taylor anticipates some what the striking results of the Hawthorne Investigations.
- (5) Working conditions which minimize fatigue and allowance of tiffin breaks, light refreshment, etc., during working hours are conducive to higher industrial efficiency and over compensate the employer against the cost involved.
- (6) Quantification of each job and setting a target is a basic condition of higher output and productivity.
- (7) Each job has got a best method of doing it. By standardizing this and using best method of doing a work (method study), higher efficiency can be reached and sustained.
- (8) The motions involved in doing a work have least fatigue combination which when balanced with the economy of motions and adopted would lead to higher output and efficiency. This is achieved through 'motion study'.
- (9) A job for which a High-Time (Time standard) is set, is always performed better. Establishing the time standard is achieved through time study. The standard time is broken into element time for each small unit to work.
- (10) The total work should be broken by each day's (or shift's) quota or if necessary, each hour's quota. Thus only, enthusiasm can be sustained and standards are reached.
- (11) Jobs should be given to high-workers who are good at specific jobs; low workers whose output in a trade is poor, should be encouraged to transfer job.
- (12) As a corollary, Taylor formulated his differential piece work plan with progressive and pronounced incentives for above standard performance.
- (13) It is postulated that high-workers would be less prone to transfer jobs than low-workers, as the incentive is concentrated on the above-standard performance.

Taylor himself considered that the value of his system stays in the fact that it would produce a " mental revolution" on the part of both management and labour. Employees, he reasoned would be quite willing

to work harder if they could earn a great deal more by doing so. And management would earn profit so much by the increased productivity that it would be willing to pay them more. Since the amount of work to be done in a day and payment for it would be scientifically" determined, there would be no reason for management and labour to quarrel.

The mental revolution that Taylor predicted did not occur, but his system did produce a revolution in management thinking that led to higher productivity. Managers were induced to plan work more carefully than they had before, and more important, they began to realize that improvement in method need not depend on chance inspiration but can be discovered by systematic study.

Frank and his wife Lillian Gilbreth and Harrington Emerson were contemporary of Fredrick W. Taylor. Gilbreth carried motion study further than Taylor ever did and, Emerson extended sphere of scientific management from the shop floor level to the councils of higher management.

1.2.2.2 Elton Mayo : The Human Relation Approach

Elton Mayo (1880-1949) was primarily interested in management as it affected the rank and file in industry, and again like Taylor, he was interested in increasing productivity. But his view-point was entirely different. He believed that the economic motive to produce on which Taylor laid so much stress, was unimportant compared with emotional and nonlogical attitudes and sentiments.

Mayo was a psychologist by profession. As professor of industrial research at the Graduate school of Business, Harvard University, he had a great influence on the development of the social sciences and on practicing Managers as well. Much of his writing was based on the well known Hawthorne experiments.

The Hawthorne studies comprise a long series of investigations into the importance for work behaviour and attitudes of variety of physical, economic, and social variables. The principle investigations were carried out between 1927 and 1932 where after economic depression caused their suspension. The component studies may be distinguished as five stages :

Stage I : The Relay Assembly Test Room study. (New incentive system and new supervision).

Stage II : The Second Relay Assembly Group study. (New incentive system only).

Stage III : The Mica splitting Test Room study. (New supervision only).

Stage IV : The interviewing programme.

Stage V : The Bank-wiring observation Room study.

Stage II and III were "designed to check on" (and were taken to supplement and confirm) the stage I conclusion "that the observed production increase was a result of a change in the social situation and working conditions not because of wage incentives, reduced fatigue or such similar factors." Stage IV was an interviewing programme undertaken to explore worker attitudes. Stage V was a study of informal group organization in the work situation.

The two later studies (IV and V) resulted directly from conclusions based on stage I - II about the superior influence of social needs. Observations made in both were interpreted in the light of such prior conclusion. Hence it is clear that stage I was the key study II and III adding more or less substantial support to it. The whole of the Hawthorne claim that friendly supervision and resulting work group social relations and satisfaction are overwhelmingly important for work behaviour.

1.2.2.3 Henry Fayol : The Universalist & Father of Modern Management

Henry Fayol (1841-1925) was a French mining engineer. Later he became Chief Engineer of the Company. In 1916, he wrote a book entitled 'General and Industrial Administration'. This book was originally written in French language and was subsequently translated into English in 1949. In this book he explained the following fourteen principles of management.

1. **Division of Work** : It implies that total work should be divided into some parts and one employees should do only a part of the work e. g. A sole proprietor may divide the total work among four employees Cashier, Accountant, Salesman and Steno. In other words work is divided according to specialization, qualification, aptitude and interest. All this leads to specialization and increase efficiency of the employees.
2. **Authority and Responsibility** : There should be a balance between authority and responsibility. If authority is more than responsibility, then authority will be misutilised. On one hand if responsibility is more then authority then employee may not be able to perform his responsibility.
3. **Discipline** : Discipline is the soul of organized activity. It implies that subordinates should work as per the rules of the organization and expectation of superiors. This principle is Universally required. However technique of applying this Principle may differ from time to time and place e.g. discipline can be enforced through rewards or

penalties or both.

4. **Unity of Command** : It means one man should be accountable to one boss only. He would receive orders from one boss only and would report to him. If he receives orders from more than one person he would be confused. Thus Principle of unity of command provides security against confusion. Moreover it ensures better Co-ordination.
5. **Unity of Direction** : There must be one plan and one head of the organization. All employees must work under directions of the head of the institute for achieving the organizational objectives.
6. **Individual and General Interest** : Fayol was of the opinion that if personal interest of an employee conflicts with organizational interest then organizational interest must be preferred. In other words personal interest should be sacrificed for organisational benefits.
7. **Fair Remuneration** : Employees must be compensated with money. Employees must be paid wages and salaries according to ability, qualifications, nature of job and cost of living.
8. **Centralisation** : Everything which results in increasing the importance of subordinate's role of decentralization, everything which goes to include it, is centralization, without using the term 'Centralisation of anything' Fayol refers the extent to which authority is centralized or decentralized.
9. **Scalar Chain** : Scalar chain is chain of authority ranging from top superior to lowest ranks. According to the principle of scalar chain instructions etc. should reach the lowest level through chain of authority.
10. **Order** : In this Principle order does not mean command but it refers to orderly arrangement of men and Material. It means that there must be place for everything and everything must be in its place i.e. everything should be in an order.
11. **Security of Job** : All employee must be on permanent pay rolls of the organisation. It is so because temporary employee feels insecure and therefore fails to contribute/work with maximum efficiency.
12. **Equality** : All Employees should be treated equally. Favouritism should be avoided.
13. **Initiative** : It means that managers must set an example for others. It would encourage and motivate his subordinates.
14. **Espirit de Corps** : This French term means that union is strength. Manager must ensure that all employees work like a motivated team with full unity among superior and their subordinates.

Neither Taylor nor Mayo was much concerned with top management

problems except to the extent that top management policies affecting the work on the lowest level. Although they approached the matter from different viewpoints, both were mainly interested in increasing the productivity of the rank file. Even Harrington Emerson, who was concerned with top management decisions did not attempt to develop a science of management; instead, he concentrated on techniques (e.g. cost accounting) that are helpful to management but are not management itself.

In contrast Henry Fayol (1841-1925) attempted to develop a science of administration, and the principles he developed are widely used today in planning and developing a company's organizational structure. Among the most widely used are "Unity of direction" (one head and one plan for each activity) and "Unity of command" (each persons should have only one boss). Another often utilized principle is that responsibility should be equal to authority generally stated, as "Authority should be commensurate with responsibility". In other words, the incumbent of each position should be given enough authority to carry out all the responsibilities assigned to him. Fayol also attempted to identify the managerial functions which he listed as planning, organization, command, Co-ordination, and control.

Fayol was careful to state that his principles should not be considered rigid rules in the book in which he described his system, he wrote : "There is nothing ... absolute in management affairs, Seldom do we have to apply the same principle twice in identical conditional allowance must be made for different changing circumstances, "yet he believed that there was a universal science management applicable alike to "commerce, industry, politics, religion or philanthropy.

However, Fayol probably would have accepted the view, held by many who have adopted his principles, that there is such a thing as a universal manager who can manage any type of organization with equal success. While he said that the need for technical knowledge decreases with arise in the management hierarchy, he felt that even top managers could not depend on administrative skills alone. In fact, in discussing only 50 percent in the case of manager of a very large firm and only 25 percent in the case of the small firm top executive.

Self Check Exercise No. 1

Explain the importance of 'Scalar Chain'.

1.2.2.4 Management Process Period

During late 1940's management though began to move toward the idea of "process of management." This was an attempt to define a process of

management that could be used to attain desired objectives. The process approach led to identification and refinement of various function management. Oliver Sheldon, an Englishman, presented an early breakdown of components of management process. In 1923, Oliver Sheldon felt that management is concerned with determination on the business policy, the coordination of the execution of policy, the organization of the business, and the control of executive.

Ralph C. Davis was the first American to publish a breakdown of the management process. Davis subdivided management into their function : Planning, organising and controlling in his book 'Principles of business organization and operation' (1935).

George Terry was the first to publish a basic management text, titled 'Principles of Management' in 1933. The first edition of Terry's book was divided into six major sections, three of which discussed planning, organizing and controlling. The book presented management as a series of functions and principles. It should be noted that Terry did not view management Principles as laws, rather as guide posts for manager.

Harold Koontz and O' Donnell followed Terry with their book 'Principles of Management; An analysis of managerial function' (1955). Koontz and 'Donnell listed planning, organizing, staffing, directing and controlling as functions of management. They however believed that the functions are not necessarily practised in any particular order. They also attempted to further Fayol's idea that management is a universal discipline.

1.2.2.5 H.A. Simon

Simon expressed views on management, in his book 'Administrative Behaviour' (Second Edition, 1957). In his book, Simon puts forward the thesis that management theory should be primarily based around the question of choice or decision making as the core of management. The questions of choice or decision making are not confined to the top hierarchy, but go down through all ranks of management. Although the nature of choice varies between different levels.

Decisions in an organization can be divided into two more groups. Those on final goals of the organization are 'Value Judgments' and are more general. The other group consists of decisions on complementation of the goals and are factual Judgment. These are more specific in character. Simon deduces that, normally, decision can not be described as right or wrong, correct or incorrect, but may be good or bad.

Simon was of the opinion that some decisions are compromised on three grounds. In real life, no one course of action among the alternatives

possibilities will perfectly achieve the objective. Secondly, the available alternatives as determined by the environment may not include the best possible alternatives so something less has to be accepted. Finally, decision may depend upon on Value Judgments of conflicting objectives and on the efficiency of different means of achieving the objective.

Simon laid stress on rationality in managerial behaviour. A rational decision involves the choice of one alternative out of so many. Alternatives vary in the consequences that will follow according to the selected ones. A 'good' i.e. a rational decision is, in the theory, one that is realistically adapted to the ends or consequences required. Rationality then, is concerned with construction of means-end drains, the links being action undertaken and the consequences that naturally follow. Simon opined that complete rationality is just not practical. This concept of bounded rationality is the essence of Simon approach. In other words, any particular alternative chosen may well have side effects which produce ends or results which are not required or even expected. Rational decision making involves the widest possible consideration of all possible ends likely to result from all possible alternative means.

On the question of comparison of alternatives, it is likely that different means often produce largely the same end but will differ from each other only in certain respects. Rationality implies that only the differences need to be considered.

It is recognized that decisions making in an organization is not pure concerned with one individual. The decision and action of other people which may competitive or cooperative have to be taken into account. To coordinate, says Simon can be described as the means of ensuring the everyone has sufficient accurate knowledge and good planning and an organization can ensure that each decision maker can anticipate the decision and action of others.

Having established the position of decision making as the keystone of the management process Simon turns to the implementation of decision. He considered role of the authority of important purpose. He was of the opinion that authority is seldom absolute. It is limited on the hand by the subordinates area of acceptance. The superior too is likely to impose limits on his own exercise of authority in order not to loose respect, confidence and goodwill of his subordinates. Simon also considered role of the communication for implementation of decisions.

1.2.2.6 Peter Drucker

Peter Drucker is an eminent management thinker. He has so far written number of articles, papers and books on various aspects of management.

Drucker in his book (Practice of Management) defines management as "a multipurpose organ that manages business, manages managers and manages worker and work."

Drucker identified three jobs of management :

- I. Management of business.
- II. Management of manager; and
- III. Management of worker and work (both).

He seems to be against bureaucratic management as he is of the opinion that manager has to balance and harmonise various functions of business concern. He emphasized creative and innovative thinking. He treated management as profession. But he was of the view that no greater damage could be done to our economy or to our society than to attempt to professionalise management by licensing managers or by limiting access to management to people with a social academic degree. It makes clear that Drucker treated management as practice rather than science. He was of the opinion that any one with some degree of intelligence can become good manager if he works for it. He need not necessarily possess a management degree.

The idea behind management by objective (MBO) was advocated and popularized by Peter Drucker, who stressed that "business", performance requires that each job be directed toward the objective of the whole business. Simply stated MBO is a process by which managers and their subordinate work together to identify business goals and setup objectives and to make plan together to achieve these objectives. Although MBO concept is comparatively new, a lot of attention has been paid to it in recent past. Through MBO, Drucker, has recommended a fair degree of workers participation in management. It means that workers must be duly consulted while making decisions affecting their interests.

1.2.2.7 Management Theory Jungle

During early 1960's many scholars were not convinced with process approach to management and started adopting new approaches. The former production and scientific management began experimenting with mathematical and model building approaches.

Many experts recommended use of Operational Research techniques for solving some managerial problems.

The behavioral scientists were studying management as a small group relationship, thus depending heavily on psychology and sociology. Chester Branad developed social system school which viewed the management as a system of cultural and social inter relations.

An empirical school of thought was developed by the scholars who made case study of management practices of certain business organizations. The basic premise of this school was that management can be learned by studying the success and the failure of other managers.

Harold Koontz recognized this fragmentation movement. Koontz accurately referred this division of thought as management theory jungle. Many conferences and discussions followed Koontz to synthesize the various schools of thought. The systems approach to management is one such attempt to lie all the various schools of thought together within an overall 'system framework'.

From the above study it becomes clear that management is dynamic in nature. It is changing with passage of time. Although some management principles are universally true, the technique of applying these principles may differ from time to management. Different theories and contributions have enriched management literature and will continue to do so in future.

1.2.3 SUMMARY

F.W. Taylor is a known name in the area of management. He is father of Scientific Management. Elton Mayo gave the Human Relation Approach. Henry Fayol gave fourteen principles of management which are universally applicable. Importance of Decision Making for all ranks of management thought was given by Simon. The idea of management by objectives was popularized by Peter Drucker and through MBO, he recommended worker's participation in management. The role of behavioural scientists and empirical school of thoughts can't be ignored.

1.2.4 KEY WORDS

Remuneration	-	Compensation for work done.
Initiative	-	Starting something new.
Environment	-	Surrounding in which we live.
Distinction	-	Difference among a few things.
Organisation	-	Popularly used for a business or organized business.

1.2.5 ANSWERS OF SELF CHECK EXERCISES

Self Check Exercise No. 1

Scalar Chain is one of the fourteen Principles of Management given by Henry Fayol. It is chain of Authority from top to bottom rank.

Self Check Exercise No. 2

Socio-Cultural environment of a business includes the factor which are related society plus culture. e.g. Cultural values in society, attitude of society towards business and it's management, towards authority and responsibility, attitude of business towards consumers etc.

1.2.6 EXERCISE

(A) Short Questions :

- Q.1 Enlist the three jobs of Management as identified by Peter Drucker.
- Q.2 Write a short note on Management Process Period.

(B) Long Questions :

- Q.1 Discuss fourteen principles of Management given by Henry Fayol in detail.
- Q.2 Write a detailed note on "Evolution of Management" in the pre-scientific Era.

1.2.7 SUGGESTED READINGS

- 1. Rue, Lisslie, and Byars, Lyold : Management : *Theory and Application* Richar Irwin, 1977.
- 2. Dale Ernest, Management : *Theory and Practice*, Mc Graw Hill Book Company, New York, 1973.

Lesson No. 1.3

Classical and neoclassical system: An overview**Structure**

- I. Objectives
 - II. Introduction
 - III. Classical approach of management:
 - IV. Neoclassical approach of management (1930-1960):
 - V. Summary
 - VI. Glossary
 - VII. Questions for Exercise
 - VIII. Recommended Readings
- I. Objectives of the Study

The objectives of the study are as follows:

 1. To examine the role of classical and neoclassical approach of management to the development of management thought.
 2. To appraise the contribution of classical and neoclassical theorists of management.
 3. To compare and contrast between classical and neoclassical theory of management.
 4. To outline the problems and conflicting aspects of classical and neoclassical theory.
 - II. Introduction
Under classical approach attention was focused on job and machines. On the other hand, new classes approach to management emphasizes on increasing production through an understanding of people. However, the classical theory stresses on task and structure while the neoclassical theory emphasizes people aspect. Classical approach to management is a set of homogeneous ideas on the management of organizations that evolved in the late 19th century and early 20th century. This perspective emerges from the industrial revolution and centers on theories of efficiency. As at the end of the 19th century, when factory production became pervasive and large scale organizations raised, people have been looking for ways to motivate employees and improve productivity. A need for management ideas came to pass which directed to classical contributors such as Frederick Taylor, Henri Fayol and Max Weber, generating management theories such as Taylor's Scientific Management, Fayol's Administrative Management and Weber's Bureaucratic management (George, 1948). As a reaction to approaches of classical theory which over-emphasized the mechanical and physiological characters of management, came up the schools of neoclassical theory with a more human-oriented approach and emphasis on time needs, drives, behaviors and attitudes of individuals (Singh, 1983). Two important groups, namely,

human relations school and behavioral schools emerged during 1920s and 1930s under the neoclassical theory. As in the late 1920s and early 1930s the Hawthorne experiments were conducted by Elton Mayo and his associate led to the Behavioral viewpoint. This brought about a Human Relations Movement which included Douglas McGregors Theory X and Theory Y approach.

III. Classical approach of management:

The classical approach to management (1900-1930) was the product of the first concentrated effort to develop a body of management thought. In fact, the management writers who participated in this effort are considered the pioneers of management study. The classical approach recommends that managers continually strive to increase organizational efficiency in order to increase production- the classical approach is based on the following tenets (Certo S C & Certo S T, 2006). The classical approach to management can be divided into mainly three distinct areas. These are: a) Lower level management analysis or scientific management b) Comprehensive analysis of management or administrative management c) Bureaucratic management Scientific management theory:

Scientific management concentrates on the “one best way to perform a task; that is, it investigates how a task situation can be structured to get the highest production from workers. The process of finding this “one best way” has become known as scientific management (Certo S C & Certo S T, 2006). Although the techniques of scientific management could conceivably be applied to management at all levels, the research, research applications and illustrations relate mostly to lower-level managers. Therefore theory is also referred to lower level management analysis. Scientific management consists primarily of the work of Frederick W. Taylor, Frank and Lilian Gilbreth, and Henry L. Gantt. Frederick W Taylor (1856-1915) is commonly called the father of scientific management because of the significance of his contribution. He started his career as an apprentice in a small shop in Philadelphia (USA) in 1875. Taylor witnessed much inefficiency (Robbins et al, 2003). He sought to create a mental revolution among both workers and managers by defining clear guidelines for improving production efficiency. He argued that the four principles of management would result in

prosperity for both workers and managers. The principles (Robbins et al, 2003) are

1. Develop a science for each element of an individual's work to replace the old rule of thumb method.
2. Scientifically select and then train, teach, and develop the worker.

3. Heartily cooperate with the workers so as to ensure that all work is done in accordance with the principles of the science that has been developed.

4. Divide work and responsibility almost equally between management and workers. Management does all work for which it is better suited than the workers.

Frank Gilbreth (1868-1924) and Lillian Gilbreth (1878-1972) were also significant contributors to the scientific method. As a point of interest, the Gilbreths focused on handicapped as well as normal workers. Like other contributors to the scientific method, they subscribed to the idea of finding and using the best way to perform a job. The primary investigative tools in the Gilbreths' research were motion study, which consist of reducing each job to the most basic movements possible. Motion analysis is used today primarily to establish job performance standards.

Henry L. Gantt (1861-1919) too, was interested in increasing worker efficiency. Gantt attributed unsatisfactory or ineffective tasks and piece rates (incentive pay for each product piece an individual produces) primarily to the fact that these tasks rate were set according to what had been done by workers in the past or on somebody's opinion of what workers could do. Administrative management: Whereas scientific managers emphasize job design approaching the study of management, managers who embrace the comprehensive view – the second area of classical approach are concerned with the entire range of managerial performance.

Administrative management focuses on organizational efficiency. This approach is also called comprehensive analysis of management. Among the well-known contributors to the comprehensive view are Henri Fayol, Chester I Barnard, Alvin Brown, Henry Dennison, Luther Gulick and Lyndall Urwick, J Mooney and A C Reily, and Oliver Sheldon (Heames, et al, 2010). The most notable contributor, however, was Henri Fayol (1841-1925). His book *General and Industrial management* presents a management philosophy that still guides many modern managers. Because of his writings on elements and general principles of management, Henri Fayol is usually regarded as the pioneer of administrative theory (Certo S C & Certo S T, 2006). The elements of management have outlined – planning, organizing, commanding, coordinating and controlling are still considered worthwhile divisions under which to study, analyze and affect the management process. The general principles of

management suggested by Fayol are still considered useful in contemporary management practices. Here are the principles in order developed by Fayol division of work, authority, discipline, unity of command ,unity of direction, subordination of individual interest to general interests, remuneration, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps.

Bureaucratic Management: Bureaucratic management is a stream of classical theory of management. It is “a formal system of organization that is based on clearly defined hierarchical levels and roles in order to maintain efficiency and effectiveness” (Hodgetts et al, 1981). This theory was developed by Max Weber and is widely used in the management of both public and private sector organizations. According to the bureaucratic management approach, organizations are usually divided into hierarchies. These divisions help in creating “strong lines of authority and control (Singh R N, 1983) within the organization. Max Weber (1864-1924) was the first of management theorists who developed a theory of authority structures and relations based on an ideal type of organization he called a bureaucracy – a form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships (Wren D A, 1994). Bureaucratic management depends upon administration devices. Max Weber presents the ideal organization structure. According to Weber the bureaucratic management approach is based on four principles -Hierarchical positions, rules of system, division of labor for specialization, and impersonal relationship. Appraisal of classical approach: Classical approach made a significant contribution to the development of management theories. This perspective had three primary thrusts (Griffin R.W. 2006). Scientific management focused on employees within organizations and on ways to improve their productivity. Administrative theory focused on the total organization and on way to make it more efficient. Bureaucratic management focused on eliminating managerial inconsistencies that means it emphasized the position rather than person and organization continues even when individual leave. Classical approach highlighted the universal character of management principles (Berdayes V, 2002). It made a clear distinction between operative activities and managerial activities. It also identified the application of scientific method to the problems of management and highlighted the need for mutual cooperation between employers and employees. Classical approach has been criticized on several counts. First, this theory is said to be too formal, secondly, it is more appropriate for stable and simple organization than for today's dynamic

and complex organizations. Thirdly, it often prescribed the universal procedures that are not appropriate in some setting.

IV. Neoclassical approach of management (1930-1960): The Neoclassical approach began with the Hawthorne studies in the 1920s (Wikipedia, 2013). It grew out of the limitations of the classical theory. Under classical approach, attention was focused on jobs and machines. After some time workers resisted this approach as it did not provide the social and psychological satisfaction. Therefore, attention shifted towards the human side of management. George Elton Mayo (1890- 1949) is considered to be the founder to the neoclassical theory (Gupta C B, 1992). He was the leader of the team which conducted the famous Hawthorne Experiments at the Western Electric Company (USA) during 1927-1932. There are mainly three elements of neoclassical theory of management.

They are Hawthorne Experiment, Human Relation Movement, and Organizational Behavior.

Hawthorne experiments: The Hawthorne studies were a series of experiments conducted at the Western Electric Company (USA) between 1927 and 1932 that provided new insights into individual and group behavior (Griffin R W, 2006). The research, originally sponsored by General Electric, was conducted by Elton Mayo and his associates. The studies focused on behavior in the workplace. In one experiment involving this group of workers, for example, researchers monitored how productivity changed as a result of changes in working conditions. The Hawthorne studies and subsequent experiments lead scientists to the conclusion that the human element is very important in the workplace. The Hawthorne experiments may classified into four stages: Illumination experiments, Relay assembly test room experiments, Mass interviewing programme, Bank wiring observation room study.

Human relation movement: Taking a clue from the Hawthorne Experiments several theorists conducted research in the field of interpersonal and social relations among the members of the organization. These relations are known as human relations. A series of studies by Abraham H. Maslow, Douglas Mc Gregor, Frederick Herzberg, Keth Davis, Rensis Likert and others lead to what is human relation movement (Singh, 1983). Human relation movement argued that workers respond primarily to the social context of the workplace, including social conditioning, group norms and interpersonal dynamics.

Organizational behavior: Several psychologists and sociologists began the study of group dynamics, Chris Argyris, Homans Kurt Lewin, R.L. Katz, Kahn and others developed the field of organizational behavior. It involves the study of attitudes, behavior and performance of individuals and groups in organizational settings. This approach came to be known as behavioral approach. It is extended and improved version of human relations movement. It is multidimensional and interdisciplinary the application of knowledge drawn from behavioral sciences (Psychology, sociology, anthropology, etc) to the management problems (Cole G A, 1984). Therefore, it is also called behavioral science approach.

Appraisal of neoclassical approach: Neoclassical theory has made significant contribution to an understanding of human behavior at work and in organization. It has generated awareness of the overwhelming role of human factor in industry. This approach has given new ideas and techniques for better understanding of human behavior. Contributors to this approach recognize an organization as a social system subject to the sentiments and cultural patterns of the member of the organization, group dynamics, leadership, motivation, participation, job environmental, etc constitute the core of the neoclassical theory. This approach changed the view that employees are tools and furthered the belief that employees are valuable resources. It also laid the foundation for later development in management theory. Neoclassical approach is not free from limitations. First, it lacks the precision of classical theory because human behavior is unpredictable. Secondly, its conclusions lack scientific validity and suffer from a clinical bias, its findings are tentative. Lastly its application in practice is very difficult because it requires fundamental changes in the thinking and attitude of both management and workers.

Classical Vs Neoclassical theory: Classical and neoclassical approach to management made outstanding contribution to the development of management thought. Under classical approach, attention was focused on job and machine. On the other hand, neoclassical approach to management emphasizes on increasing production through an understanding of people. According to proponents of this theory, if managers understand their people and adapt their organizations to them, Organization success will usually follow. However, the classical theory stresses on task and structure while the neoclassical theory emphasizes people aspect.

V. Conclusion

Classical and neoclassical approaches made a crucial role in the advancement of management theories and practices. The adopted management approaches are important due to the facts that determine the efficiency and congenial environment with which managerial activities are performed. In this era of rapid economic development and industrial expansion of different nations, classical and neoclassical theorists made an undeniable role by developing different techniques of production and it enabled every nation to be involved in this global market. Though classical theory is now treated to be outdated, it is important because it introduced the concept of management as a subject for intellectual analysis and provided a basis of ideas that have been developed by subsequent schools of management thought. Neoclassical approach put overemphasis on human variables and symbolic rewards which may not be appreciated by the recipients „significant others. It serves as the „backbone to many current management theories. So, it is clear that the field of management have some remarkable and pertinent theories which are underpinned by pragmatic study evidence. This development holds a rather brighter future for the study, research, and practice of management.

VI Glossary

Environment	-	Surrounding in which we live.
Distinction	-	Difference among a few things.
Organisation	-	Popularly used for a business or organized business

Recommended Readings

[1] Geroge Jr, C.S., The History of Management Thought, New Delhi, N.J.: Prentice Hall Inc. 1948

. [2] Sing,R.N. Management thought and thinkers, New Delhi, Sultan Chand & Sons , 1983.

[3] Certo S,C & Certo S,T,Modern Management,10th ed., New Delhi, Prentice Hall Inc. 2006.

[4] Gupta C,B, Business Organization And Management , 1st ed., New Delhi, Sultan Chand & Sons, 1992. [5] Wren, D.A. The Evolution of Management Thought, 4th ed., New York, Wiley, 1994.

[6] Hersey, P. & Blanchard, K. Management of Organizational Behavior. 3rd ed. Englewood Cliffs, NJ: Prentice-Hall., 1977.

[7] Bartol, K., Martin, D., Tein, M. and Matthews, G. Management: A Pacific Rim Focus, 3rd ed., McGraw-Hill, Roseville, CA. 2001X

Questions For Excercise

(C) Short Questions :

Q1 Enlist the role of Peter Drucker in Management ?

Q2 Write a short note on CLASSICAL THOUGHTS Process Period.

(D) Long Questions :

Q.3 Discuss Classical theories in detail.

Q.4 Write a detailed note on "Evolution of Management" in the pre-scientific Era.

PLANNING

Structure of the Lesson :

- 1.4.0 Objectives
- 1.4.1 Introduction
- 1.4.2 Meaning of Planning
- 1.4.4 Purpose of Planning
- 1.4.4 Planning process
- 1.4.5 Short Range and Long Range Planning
 - 1.4.5.1 Short Range Plans (Operational Planning)
 - 1.4.5.2 Long Range Plans (Strategic Planning)
- 1.4.6 Objectives
 - 1.4.6.1 Characteristics of Objectives
 - 1.4.6.2 Importance of ObjectivesSelf
Check Exercise-I
 - 1.4.6.4 Management by Objectives
Self Check Exercise-II
- 1.4.7 Strategies and Policies
- 1.4.8 Summary
- 1.4.9 Answers of Self Check Exercises
- 1.4.10 Key Words
- 1.4.11 Exercise
- 1.4.12 Suggested Readings

1.4.0 OBJECTIVES

The main objective of this lesson is to explain in detail the most important and the very first function of Management i.e. planning. The lesson includes the purpose of planning, planning process, different types of planning etc. In other objectives, the lesson covers MBO as a technique of planning, in detail, Why the concept given by Drucker in 1954, is still so popular and demanded by so many organizations which believe in decentralization.

1.4.1 INTRODUCTION

Planning is the fundamental management function which involves deciding beforehand, what is to be done when is to be done, how it is to be done and who is going to do it. It is an intellectual process which lays down organization objectives and develops various courses and action by which the organization can achieve those objectives. It chalks out exactly how to attain a specific goal. For the effective performance of individuals working

together in group, manager helps in designing an environment to everyone who understands the group purpose and objectives and its methods of attaining them. However, without setting the objectives, there is nothing to organize, direct or control. Therefore, every organization is required to specify what it wants to achieve, planning is basically related with this aspect.

Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making i.e., making choice from available alternative future courses of action.

According to Fayol, "Planning is chalking out plan of action i.e. the Result envisaged is the line of action to be Followed, the stage to go through the methods to use.

According Alfred and Beauty, "Planning is the thinking process the organis3ed foresigh the vision based on facts and Experence that is Required for Intelligent action.

1.4.1 Koontz and O'Donnell, " The section from amony alternatives for future course of action for the enterprise as a whole and each department with it."

1.4.2 MEANING OF PLANNING

Planining is the managment of the organisation's future in an uncertain environment. Planning involving selecting the missins and objectives as well as the action to achieve them. It requires decision taking which means choosing a future course course of action among alternating.

Planning is the process of thinking about and organising the activities required to achieve a desired goal. Planning involves the creation and maintenance of a plan. The need of planning becomes more obvious as persons and organization develop an awareness of the precise nature of their objectives. According to Kriesis, " Planning is the Intelligent coopertaion with the inevitable" According to Forester, " Planning is the guidance of future action".

- Planning is a process that determines the future course of action.
- Planning is primarily concerned with looking into future. It requires forecasting of future situation in which the organization has to function.
- It involves selection of suitable course of action.
- It is undertaken at all levels of the organization because all levels of management are concerned with the determination of future courses of action.
- Planning is flexible, as commitment is based on future conditions which are always dynamic and uncertain.

- Planning is a continuous managerial function involving complex process of perception, communication, decisions and action.
- The increased importance of planning in a business enterprise is the direct result of the changing environment in which the enterprise operates. The aspects of this changing environment are:
 - (i) Changes of technology.
 - (ii) Changes in government policy.
 - (iii) Changes in overall economic activity, including prices, employment of labour, raw material etc.
 - (iv) Changes in the nature of competition.
 - (v) Changes in social norm and attitudes.

1.4.3 PURPOSE OF PLANNING

Planning should be done to achieve organizational goals. Every plan should be connected with some objectives.

Main Purposes of Planning are :-

To provide direction and a sense of purpose for the organization so that it can begin setting meaningful objectives.

Planning helps people to continuously address their efforts to the most important work, rather than the least important. In the absence of a plan, a focus on company objectives may be missing. Well considered plans unite the interdepartmental activities because with clear effective plans each department knows what it must do to contribute to the objective of the organization.

Purpose of planning is also to eliminate unproductive efforts and thus organizational work is coordinated. It minimizes costs of performance. It provides for more optimal acquisitions, maintenance, utilization and replacement of physical and human resources.

Planning helps management to adapt and adjust according to the changing environment. Managers can anticipate problems before they arise and deal with problems and before they turn into emergencies. Planning helps a manager or organization to effect future rather than accepting future. It is a mean of commanding the future rather than being commanded by it.

Planning provides a basis for team work. When the goals are properly defined, work assignments can be fixed and everyone can begin to contribute to the achievement of these goals. It educates people, as they get a sense of direction and the efforts are being put to useful purpose, rather than being wasted.

Planning facilitates control, planning and control functions are said to be

like 'Siamese fairns' i.e., inseparable. There is nothing to control without planning and without proper control, planning proves to be a wasteful and unproductive exercise.

1.4.4 PLANNING PROCESS

Planning process is the steps of a company takes to development budgets to guide future activities.

Determining objectives and outlining the course of action, needed to achieve these objectives is referred to as planning process.

The sequence of various steps in planning are in such a way that they lead to the translation of an idea into action by reaching to the state of establishing the sequence of activities.

To Clarify the Problem

The basic step is to visualize the problem clearly. The present condition should be seen widely and also the improvement required for which planning is being undertaken.

The following questions help in this step.

- (i) What is the aim of the plan to be formulated?
- (ii) Does the aim require a new plan, modification of an existing plan or the elimination of any present plan?
- (iii) What, the accomplishment for this aim will mean to the enterprise?

To Obtain complete information about the activities involved
Knowledge of activities to be planned and their effect on other activities both internal and external to the enterprises is necessary for intelligent planning. The source of information are experience, past solutions to problems, practices of other enterprises, observations, records and data secured from research and experiments.

To Analyse and classify the information

Each component of information is examined separately and also in relation to the whole information. Information pertaining to similar subjects is classified so that similar type of data can be kept together.

To Establish Planning premises and constraints

From the data relevant to the problems or important in the determination of the plans, certain assumption are made.

To Determine Alternate Plans

There are certain alternative plans which help in achieving the work to be done. Some possible plans are also to be evolved in this step. The basic thing required is the ingenuity and creation.

To Choose, Propose and Plans

The plan proposed should be chosen that is acceptable to the operating people. The plan adaptability and cost are important. Proper considerations should be made for the proper selection of the proposed plan.

To Arrange Detailed Sequence and Timing for the Proposed plan

The detail of where the planned action should be done by whom and when are put in proper order for intended purpose. The timing and approach are vital.

To Provide Progress Checkup to Proposed Plan

Success of the plan is measured by the results. Therefore provision for adequate follow up to determine results should be included in the planning work.

Six P's of Planning by Peter Drucker

1. Purpose
2. Philosophy
3. Premise
4. Policies
5. Plans
6. Priorities

1.4.5 SHORT RANGE AND LONG RANGE PLANNING

1.4.5.1 Short Range Plans (Operational Planning)

Operational plans means short range plans. They are concerned with day to day operations and focus is on short run operating period i.e., Usually a year or a season. Operational planning is done at lower levels usually. It involves gathering information, evaluating alternative and choosing most effective course of action. It is usually guided by single use plans and standing plans. Standing plans include policies, procedures and rules. Single use plans serve this purpose only for a specific period of time. Market plans, production plans and financial plans are the examples of operational planning.

1.4.5.2 Long Range Plans (Strategic Planning)

The determination of, how the organisational objectives will be achieved, is referred to as long range planning. Strategy is a plan of action that will define the way with which goals can be accomplished. Strategic planning, covers a time frame extending to five years or more into the future. Strategic planning involves the following steps :

- Determination of mission for the organisation as it focuses on an organisation's long term relationship to its external environment.

- Evaluation of present strength and weakness.
- Forecasting of the external environment i.e. the outside changes like economy, technology, social and political factors that can indirectly influence the organisation. So by forecasting, an attempt is made to identify external opportunities and threats to the organisation.
- Development of organisational goals after taking into account the strengths of firm and the forecast environment. Gap between the existing and proposed strategy is found.
- It reduces the opportunities - threat gap and strategic decision making process takes place.
- The alternatives chosen should have an edge or competitive advantage over the organisational rivals.
- Strategy implementation of control is the last step. The strategy determined must be translated into appropriate tactical plans programmes and budgets. Control for measuring performance after the implementation of plan must be developed.

1.4.6 OBJECTIVES

Objectives are important ends towards which organisational and individual activities are directed. A managerial objective is the intended goal that prescribes definite scope and suggests direction to the planning efforts of a manager. The definition includes four concepts.

1. Goals
2. Scope
3. Definitions
4. Directions

The management process begins with setting of organisational objectives. Objectives give meaning and purpose to the organisation without something to achieve. Organizations would be purposeless and chaotic. Therefore, good management is always management by objectives.

1.4.6.1 Characteristics of Objectives

Objectives form a Hierarchy

The hierarchy of objectives is a series graded, in which organisational goals are supported by each succeeding managerial level down to the level of the individual. The objectives of each unit contributes to the unit and to the objectives of the next higher unit. Thus each level of objectives stands as ends relative to the levels below it and as a means relative to the level above it.

Objectives form a Network

The objectives are inter-related and inter-dependent. This concept implies that once objectives are established for every department and every

individual in an organisation, these subsidiary objectives should contribute to meet the basic objectives of the total organisation.

Multiplicity of Objectives

At every level of the hierarchy, goals are likely to be multiple. For example, the marketing division may have the objective of sale and distribution of produces. The objectives can be broken down into a group of objectives for a product like advertising, research, promotion etc. the advertising manager's goals may include; designing product message carefully, create a favourable image of the product in the market etc.

Long and short Range Objective

Organisational objective may be related to long range or short range of time. Long range objectives extending over five or more years, are the ultimate objectives of an organisation. The short or medium range objective are the means for achieving long terms goals supply a framework within which the lower level goals are designed.

1.4.6.2 Importance of Objectives

Setting objectives is a specific management tools that creates a target for business owners to achieve.

1. Objectives help into legitimize the presence of an organisation in its environment.
2. Objectives provide guidelines for organisational efforts.
3. Objectives make behaviour in organisation more rational, more coordinated and thus more effective, because every one knows the accepted goals to work towards.
4. Goals are motivators as they lead to enhancement in performance because it makes clear to the individual, what he is supposed to do.

Self Check Exercise-1

Define the importance of Strategic Planning.

1.4.6.3 Management by Objective

Peter Drucker was the first one to discuss Management By Objective in 1954, in the Practice of Management. It is a process where superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinate, assess the contribution on each individual, and integrate individual with the organisation so as to make best use of organisation resources. MBO has been widely used for performace appraisal and cmplyer motivation.

Thus MBO is a system of integrating managerial activities. It has

following features :

- MBO emphasizes on participatively set goals that are tangible, verifiable and measurable.
- MBO focuses attention on what must be accomplished rather than how it is to be accomplished.
- MBO is a systematic rational technique that allows management to maximize result from available resources by focusing on the goals that are to be achieved.
- The main character of MBO is the participation of concerned managers in objective setting and performance reviews periodically.
- MBO provide guidelines for appropriate systems and procedures through objectives. Resource allocation, delegation of authority, etc., are determined on the basis of objectives.

MBO Process

1. Setting Preliminary Objective at the Top

Any MBO programme must start with the absolute and enthusiastic support of the top management. The long term goals of the organisation must be set initially. These long term strategic objectives are determined in integration with internal factors. The objective setting starts at the top level and then moves downwards to the lowest managerial levels. After the long range strategic objectives are set, short term organisational objectives, divisional or departmental objectives and individual managers objectives are set after that.

2. Action Plan

It is a mean, by which an objective is achieved. The action plan gives direction and ensures unity of purpose to organisational activity. What is to be done, how the subordinates will proceed, what steps will be taken and what activities will be engaged in as the subordinates progress, are to be planned in details. The key result areas must be identified.

3. Setting subordinate's Objectives

As organisational objectives are achieved through individuals, therefore each individual manager must know in advance what he is expected to achieve. This will require active participation of subordinates.

4. Matching Resources with Objectives

Resource availability is an important aspect of objective setting as it's proper application ensures objective achievement. Therefore, there should be matching between objectives and resources.

5. Appraisal

In this step the actual standards or results are measured against predetermined standards. The deficiencies in the working are removed promptly. Appraisal can be useful if the person being evaluated knows and accepts in advance, the grounds upon which he is being appraised.

6. Recycling

Appraisal is used as an input for recycling objectives and other actions. The three aspects involved in recycling process include setting of objectives at various levels, action planning, and performance review.

Benefits of MBO

When an organisation is managed by objectives, it becomes performance oriented. It grows, develops and becomes socially useful in many ways.

- MBO produces clear and measurable performance goals.
- The programmes of MBO sharpen the planning goals.
- Effective controls are developed by MBO
- MBO provides a basis for evaluating a person's performance.
- MBO gives an individual or group a way to use imagination and creativity to accomplish the mission thus becoming a motivational force for the manager.
- MBO encourages commitment, thus the morale of the individual is boosted as they are appreciated periodically.
- MBO is a result oriented, practical and rational management philosophy.

As MBO is not a panacea, the organisation some-times fails to recognize that MBO demands careful planning and successful implementation. There are certain problems like- it is pressure oriented and time consuming as it is a new system. It increases paper work. Sometimes there are problems in setting the goals unless they are jointly agreed upon. The organisational problems also lead to certain problems that prevent MBO from achieving the best results.

Improvement for the Effectiveness of MBO can be following :

- The most effective way to implement MBO is to allow the top level managers to explain, coordinate and guide the programme. Without top managements' support and commitment, MBO cannot be implemented properly.
- Managers should be given adequate training in MBO philosophy and procedures before the system is installed.
- Implementing an MBO programme is quite often time consuming and

managers must have the necessary time and resources to implement it.

- It is important to assign authority and responsibility for initiating and overseeing the MBO Programme.
- Monitor MBO, as it is put to use. This process reveals opportunities for feedback counselling and encouragement to subordinate at time other than the regular performance appraisal sessions.
- As MBO redistributes power, all managers do not welcome this.

Self Check Exercise-2

Give two benefits of MBO

1.4.7 STRATEGIES AND POLICIES

Management needs to select the routes and common threads of its approach for its decisions. Management has many alternative routes and directions available for reaching its goals. The choice of a mission itself is a strategic choice. But in addition, management must seek an appropriate group of guidelines for laying the route for performing its mission.

Strategy consists of the common threads of thought for facing risks and uncertainty, seizing the opportunities presented by the environment, and using the distinctive competence of the resources of the organisational strategies must be tailored to the specific situation in which an organisation finds itself. A strategy that has been successful for one company may not be good for another. The strategy of a large firm may differ from that of a small firm. Good strategic planning depends on identifying the critical questions.

Policy is an understanding by member of a group that makes the action of each member of the group in a given set of circumstances more predictable to other member. A policy is guideline for making decision. If a decision provides help for decision in other situations, it is said to be a policy decision, because it sets a precedent and provides some guide for decision making in the future.

An important characteristic of policy is that it provides a guideline and a framework for subordinates decisions. Therefore, strong and clear policies encourage the delegation of decision making but do not predetermine decisions. Good policies provide definite and clear direction by top management and at the same time allow subordinate to make their own decision within clearly stated limits.

The usual source of policies is the top management of the firm. Policies may originate at the top by executive but can also be imposed from outside the firm by a trade association or the government be formulated on appeals from a subordinated as a result of a specific problems into covered by previous set policies, or be implied from constant action of subordinates and know by top management but not explicitly stated. Policies may be applied to the whole firm or they may relate to only one department.

A good policy has the following characteristics :

- It is related to an objective of the firm and is explained to all persons to whom it is to apply.
- It is stated in understandable language and at proper place in writing.
- It prescribes units and yardsticks for future actions.
- It is subject to change but relatively stable.
- It is reasonable and capable of being accomplished.
- It allows for discretion and interpretation by those who are responsible for carrying it out.

Policies are important to management, but they have the following limitations :-

They are formulated by top management to relieve subordinate of the necessity of rethinking the factors upon which the policy was based. In short, a policy eliminates thinking about repetitive matters. If subordinate develops the habit of referring to company policy as the only reason for their action, they may use policies as crutches and defeat the intent of the policies. Policies provide stability and direction to the actions of members of the firm ; yet, if a policy remains in existence long after conditions have changed, it can have the effect of opposing progress.

If policies are not stated in broad and definite terms, they may tend to encourage subordinates to avoid responsibility for their own decisions.

1.4.8 SUMMARY

Planning is important not only in business, but in each sphere of life. Planning involves missions, objectives, decision making, goals, strategies and policies etc. Planning is always future oriented. The lesson also covers the importance of planning and various steps included in planning process. After explaining strategic and operational planning, objective as a part of planning has also been defined. The definition, process and benefits of the 'Management by Objectives' have been given in detail. 'Strategies and Policies' are also included in detail.

1.4.9 ANSWERS OF SELF CHECK EXERCISES

1. Strategic planning focuses on the mission of the organization. It evaluates present strengths and weaknesses. It helps in forecasting of external environment viz, changes in economy, politics, Socio-cultural factors etc.
2. (i) MBO produces clear and measurable goals.
(ii) MBO develops a more effective method of controlling.

1.4.10 KEY WORDS

1. Continuously - Without any break
2. Sequence - Order of actions/steps
3. Multiplicity - Different types of something/not a single one
4. Integrating - Bringing something together

1.4.11 EXERCISE

(A) Short Questions

Q.1 Planning should be -

- (a) Inflexible (b) Flexible (c) Rigid

(Correct answer is b)

Q.2 The concept of MBO was given in

- (a) 1950 (b) 1954 (c) 1960

(Correct answer is b)

Q.3 Explain the process followed in MBO? (Give the answer yourself as it is already explained in the less on)

(B) Long Questions :

Q.1 Define Planning. Discuss the various steps involved in the Planning Process.

Q.2 Distinguish between short range and long range Planning.

Q.3 Write a detailed note on MBO.

1.4.12 SUGGESTED READINGS

1. Rue, Lisslie, and Byars, Lyold : *Management : Theory and Application* Richar Irwin, 1977.
2. Dale Ernest, *Management : Theory and Practice*, Mc Graw Hill Book Company, New York, 1973.
3. Polland, Harold : *Further Developments in Management*, Thought Heinemann, London, 1978.
4. Banerjee, Shyamal : *Principles and Practice of Management*, Oxford and IBH Publishing Co. New Delhi, 1982.
5. Dale Earnest : *Reading's in Management Landmarks and New Frontiers*, McGraw Hill Book Co., New York.

DECISION MAKING

Structure of the Lesson :

- 1.5.0 Objectives
- 1.5.1 Introduction
- 1.5.2 Types of Decisions
- 1.5.3 Decision Making Process
- 1.5.5 Basis of Decision Making
- 1.5.5 Bounded Rationality
- 1.5.6 Challenges for Decision Maker
- 1.5.7 Summary
- 1.5.8 Key Words
- 1.5.9 Exercise
- 1.5.10 Suggested Readings

1.5.0 OBJECTIVES :

The main objective of the following lesson is to discuss an important issue i.e; Decision Making, which is an integral part of planning. It is concerned with deciding about the best alternative out of so many choices available.

1. Philip Kotler," A decision may be defined as a conscious choice among alternative courses of action."
2. Peter.F.Drucker" Whatever a manager does he does through making decision."
George r Tery" Decision making is the selection based on some ciritiria from two or more possible alternatives.:

5.1 INTRODUCTION :

Decision making is an integral part of modern managment. Decision play important role s as they determine both organizational and managerial activies. A decision can be defined as a course of actions purpsely chosen from a set of alternatives to actives organzatioal or goal. A manager has to take so many decisions in his daily routine and sometime some crucial decisions.

Decision making is a course of action or an act of choice by which an individual or organization selects one position or action from several alternatives to achieve at a desired result. It represents judgement and a commitment to action. Decision making is a process of a series of action chosen from a number of possIble alternatives. Sometimes decision may turn into some tangible actions like rules, policies, orders or other concrete events.

Decisionmaking consistsofthose activitieswhichamanagerperformstocometoa conclusion. It is a process of selecting one alternative, but one best alternative should be selected. George

Terry Says, " Decision-making is the selection based on some criteria from two or more possible alternatives".

By going through the above description, we can identify the various features of decision making :

1. **Goal Oriented:** Decision making is goal oriented because decisions are taken to achieve some goals. The basic intention behind this is to move towards some desired state of affairs, in a particular direction.
2. **Dynamic Process:** The decision making involves various techniques to solve the particular problem and the time available for its solution. It is a situational phenomenon.
3. **Environmental related:** Depending upon the circumstances, a manager may take one particular in one situation and other one in other situation.
4. **Set of Alternatives:** A decision problem arises only when there are two or more alternatives. If only one alternative is available then there is no need to make a decision. If more alternatives are available then by evaluating the various alternatives one best decision can be made.
5. **Continuous Process:** It is a continuous process because everyday managers have to take large number of decisions.
6. **Rational Process:** Decision is always the product of reasoning and deliberation and evolution. But sometimes the decision cannot be quantified and in that case intuition and instincts play very important role.

Role of Decision Making

Decision making is a process of selecting the best course of action among many alternatives. It is useful for the successful operation of organisational activities.

We can say that decision making is the medium for carrying out the work and discharge of managerial responsibilities. It is decision making by which the individuals achieve their goals. Decision making bridges the gap between the existing situation and the desired situation by executing decisions.

The business executives/managers are decision makers and taking a decision is a very creative part on the part of executive. It is also a well known fact that decision making is all pervasive, it penetrates to all levels of management. According to Peter Drucker "Whatever a manager does he does through decision making. Decision making is so crucial to the job of managing that it is called as heart of management." According to Trewathe and Newport, "Decision making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

Characteristics of Decision Making :

- (a) **Intellectual activity:** The process of decision making is basically an intellectual process. It is a mental exercise which considers and evaluates all the alternatives for realizing and achieving the objectives of the organization.

- (b) Selection process: A decision is basically a choice making method. It chooses the best alternative from various alternative courses of action. If there is only one alternative available than no decision making is required.
- (c) Evaluation of alternatives: Before taking any final decision, the decision makers evaluate various pros and cons of the different alternatives and select the best one.
- (d) Element of commitment : A decision is a resolution or commitment of mind to act in a certain manner in the given circumstances.
- (e) Decision is always result oriented: Decision is a medium for carrying managerial workload, no decision can be taken without any purpose. A decision is taken to realize certain objectives.

1.5.2 TYPES OF DECISIONS :

Managerial decisions may be divided into the following categories :

1. Programmed and non-programmed decision: The programmed decisions are routine, repetitive and applicable to known problems. These decisions generally handle well structured problems which are familiar, easily defined and analyzed. Information for such type of decisions is already available and can be processed in a pre- planned manner. Such decisions have short term impact and are relatively simple. Non programmed decisions deal with unique or unusual problems. There are no ready made answers available for such type of problems. A high degree of judgement and deliberation is required to solve them.

Difference between Programmed and Non Programmed Decision

<u>Programmed Decisions</u>	<u>Non Programmed Decisions</u>
a. Routine and repetitive in nature	a. Unique and major problems
b. Conditions are very certain	b. Conditions are uncertain.
c. Answers of the problems according to established processes .	c. Each situation is different and need a creative and new solution.
d. Little judgment and deliberation is required .	d. Involves much thought and rational judgement.
e. Usually made by lower level executives	e. Generally made at higher level.

2. Routine and Strategic Decisions: Routine decisions as the name signifies, are repetitive in nature. They involve short term commitment and have minor impact on the future of the organization. So these decisions are generally

made at lower level management. These decisions are concerned with day to day operations of business. Strategic decision is a choice of action concerning allocation of resources and contribution to the achievement of organizational objectives. Any strategic decision may have the following factors :

- a. Strategic decision has a permanent influence on the future of the organization as a whole.
- b. It directly contributes to the achievement of organizational objectives.
- c. Much deliberation and judgment is required because such basic decisions deal with unique problems and policy issues.
- d. A strategic decision involves major departure from old organizational practices; for example change in product mix, expansion of business, change in personnel policies.
- e. A strategic decision is basically a non-programmed decision which is made under the partial ignorance. The various alternatives involved and the outcomes of these alternatives is not however known in advance.

3. Organizational and Personal Decisions.

Organizational decisions are basically made in the interests of the organization. They are made by the managers in their official capacity. Such decisions may be allocated to lower and these decisions affect the working of an organization. Personal decisions are those decisions which are made by managers as individuals and on their own behalf. Such decisions basically have impact on the personal life of the manager but may affect the organization directly or indirectly. For example decision of CEO to retire early may have a direct effect on his company.

4. Individual and Group Decisions :

As far as individual decisions are concerned, these are taken by a single individual. These decisions are basically concerned about routine problems for which broad policies are available. In some cases, important decision may also be made by an individual.

Group decisions are those decisions which are taken by a group constituted for this purpose. Decision taken by a board of directors is an

example of group decision making which generally results in more realistic and well balanced decision and encourages participative decision making. e.g. Decision taken by a committee. But such type of decisions take more time. Even there can be disagreements among members of committees.

1.5.3 DECISION MAKING PROCESS :

If we try to analyze then every decision is the outcome of a dynamic process which is influenced by multiple force for process. Every level is dynamic, continuous and flexible and must be considered as a whole in which many forces interact with each other. So the decision making process should be seen as a sequential process rather than a series of steps to enable the decision maker to examine each element in the progression that leads to a decision.

Steps in the Decision Making Process

- (a) Identification
- (b) Diagnose the problem
- (c) Search for alternatives
- (d) Evaluation of alternatives
- (e) Choice of alternative
- (f) Implementation and follow up

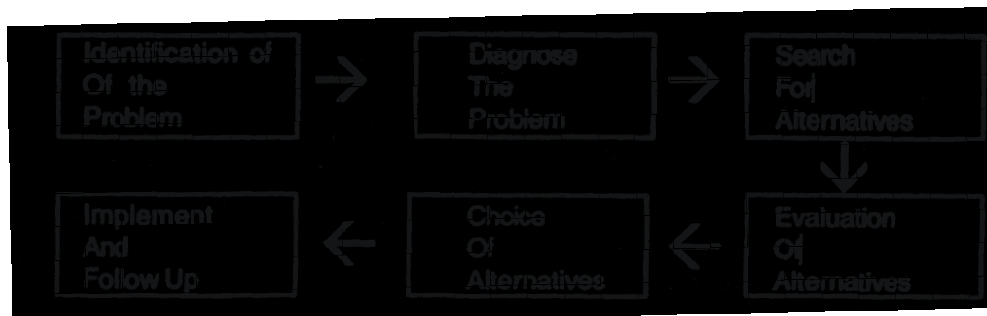


Figure : 1 Decision Making Process

(a) **Identification of the problem:** The need for decision making arises in order to achieve certain specific objectives. A problem is felt, where there is a gap between present and desired state of affairs on the subject matter of decision. At this particular stage a manager should identify and define the real problem. A problem well defined is half solved. In order to find out the problem quickly, a manager must continuously monitor the decision making environment. Alongwith this intuition, judgement and experience are required for detection of problem that require managerial decisions.

(b) **Diagnose the problem:** The term is borrowed from medical science where it is used as a process of identifying a decision from its sign and symptoms. So diagnosing a problem refers to its analysis in terms of its elements, its magnitude,

its urgency, its courses and its relation with other problems. All the facts related with the problem must be collected to analyze the problem properly. Often managers fail to diagnose the problem correctly; therefore they do this exercise very carefully. The problem may be diagnosed in terms of the following :

- * Impact of the decision
- * Futurity of the decision
- * Nature of the decision
- * Limiting factors or key factors of decision

(c) Search for alternatives: A problem may be solved in many different ways, however all the ways cannot be equally satisfying. Sometimes course of action open to decision maker are not always evident if a wide range of alternatives are available then it increases the manager's choice. However it should be kept in mind that it may not be possible to consider all alternatives either because some of the alternatives cannot be considered for selection because of obvious limitations of the decision maker or information about all alternatives may not be available therefore while generating alternatives, the concept of limiting factor is used. A limiting factor is one which stands in the way of accomplishing a desired objective. A decision maker can use several sources for identifying alternatives, his own past experience, other people practices and using creative techniques. Past experience is applied in most cases of decision making, taking into account the actions taken by the decision maker in the past with obvious difference between the former challenges and the past one. Following the experience of others is another way of generating alternatives. Thus alternatives used by successful decision makers can be thought of as alternative of decision making.

(d) Evaluation of Alternatives: Once the alternatives are discovered, the next stage is to evaluate or screen each feasible alternative. Evaluation is the process of measuring the positive and negative consequences of each alternative. Costs and benefits must be balanced. To find out the net benefit of each alternative knowledge, judgment is required. Both qualitative and quantitative evaluation is needed to ensure that all tangible and intangible factors are taken into account. The degree of risk associated with each alternative is also considered. Some criteria may also be selected to select a particular alternative. Peter Drucker has suggested the following criteria to know the alternative course of action:

- * Risk : Degree of risk involved in each alternative
- * Timing : Urgency of the problem
- * Limitation of resources : Financial, physical and human resources.
- * Economy of effort : Cost, time and effort involved in each alternative.

(e) Choice of alternative: After evaluation, the optimum alternative is

selected. The optimum alternative is that alternative which will give the desired result under given conditions. Selection of optimum alternative is one of the most critical point in decision making. The ability to select the best course of action from several possible alternatives separates the successful manager from unsuccessful managers.

(f) Implementation and follow up: Once a decision is made it needs to be implemented. Implementation of a decision requires its communication to subordinates, getting acceptance of subordinates over the matters involved in the decision and getting their support for putting the decision into action. The decision should be effected at appropriate time and in proper way to make the action more effective. The effectiveness of action is important because it is only effective action through which organizational objectives can be achieved and right decisions help in effective action.

The implementation of the decision should be constantly monitored. The effect of the decision should be judged through periodic progress reports. In case the feedback indicates that the decision is not yielding the desired results, necessary changes should be made in the decision or in its implementation.

1.5.4 BASIS OF DECISION MAKING :

In any type of environment, managers require certain methods to make the decisions. The main criteria available are:

1. Experience: Economic and social processes are evolutionary in nature. Business environment is very dynamic and it changes continuously. Therefore past guides the managers to make a decision. A manager who has assimilated his experience can use it fruitfully in defining the problem and in developing alternative course of action. But past experiences must be used with discretion and judgment as no decision situation is a prototype of the past. Sometimes present situation in quite different from past.

2. Experiment: This involves testing or trying different alternatives. It is a trial and error method. It is used basically in marketing situations where the impact of decision can be tested on a pilot basis without committing the total enterprise. But experiment method cannot be used there where a decision used cannot be tested on pilot basis. It is also a time consuming and expensive process. Moreover there is no guarantee that the findings of the experiment will be valid in the whole field of operation or in future as it covers only a very small sample of the universe. Thus this is having very limited application.

3. Research and Analysis: This method uses the analysis and simulation of the factors affecting the decision. The goal, the constraints and the variables are expressed in the form of mathematical equations. This method provides an optimum solution. It is being increasingly used. The use of information technology and

computers has made it possible to express business problems in the form of Models. This method also suffers from certain limitations. These are

- (a) It is sometimes difficult to collect all the data with the required degree of precision.
- (b) A great deal of objective judgment is involved in the qualification of interrelationship between variables.
- (c) Many tangible variables like the human element cannot be isolated or quantified.

1.5.5 BOUNDED RATIONALITY :

Bounded rationality is a way to represent how real managers make decision in real organisation. It is the rationality that takes into account the limitations of the decision maker in terms of information cognitive capacity, & attention as opposed to substantive rationality, which is not limited.

Bounded rationality is also known as administrative man theory as the theory is propounded by Herbert Simon. In his opinion, in real life situations, the decision maker cannot be fully rational and hundred percent rationality is not possible in decision making. Absolute rationality is a super human quality. This approach highlights how managers actually make decisions. It is a pragmatic idea which holds the view that the manager, a human being cannot be fully rational because he may be confronted with many constraints, problems, limitations and inadequacies both with regard to the problem as well as to decision making environment. The major limitations which bound the rationality of the manager are as under:

1. Lack of information is one of the most important limitation to rationality.
2. In order to comply with the norms of rationality, the manager is required to study and analyse the problem to discover an alternative course of action to evaluate them and then to select an appropriate one. Thus it is a time consuming job.
3. Many decision situations may involve formulation of multiple objectives which may be conflicting to each other. In these situations, the process of compromise and adjustment becomes more relevant.
4. The concept of rationality is bounded by the nature of the problem. Sometimes the problem may be very complex, unstructured with random behaviour.
5. Decisions made by managers are implemented in the future. The future environment is full of complexities and uncertainties and cannot be predicted with a degree of accuracy.

In the real life situation, decision making is sub rational, fragmented and a pragmatic

activity as rationality is compromised by ground reality. According to Herbert Simon the norm of bounded rationality describes actual decision making behaviour of the manager and involves choosing a course of action that is satisfactory or good enough under the circumstances. It is true that many managerial decisions are made with a desire to solve the problem as early as possible. It is also believed that most managers do attempt to make the best decisions within the limits of rationality and in the light of size and nature of risk involved in uncertainty.

1.5.6 CHALLENGES FOR DECISION MAKER :

Decision making requires a high level of intelligence, judgement and experience. An individual has to decide accurately and precisely on each and every problem faced by him. It is not only the survival of organisation but the existence of manager also depends upon his capabilities and talent for making qualitative decisions. A proper knowledge of the following factors may help the manager in understanding complexities of business :

1. **Intangibles:** While selecting a course of action from the available alternatives, intangible factors like customer satisfaction, image of the organisation and morale of the employees, participation of employees should also be taken into account.
2. **Long Term Implications:** While making decisions, the manager should consider long term implications.
3. **Value Judgement:** Decisions are made by managers of different backgrounds, perceptions, values and aspirations which may lead to controversy over what is good or bad and ethical or unethical.
4. **Uncertainty and Risk:** These factors are mainly related to decision making environment. More risk and high degree of uncertainty may force the manager to go for that course of action which is being dictated by the management.
5. **Multiple Criteria:** In modern organisations, decisions must satisfy conflicting criteria, representing the interest of different groups.
6. **Interdisciplinary input:** The decision made by the manager may affect several interest groups. Therefore their views may be sought and taken care of.

1.5.7 SUMMARY :

Definition:- The Process of identifying and Selecting a course of action to solve specific Problem. Decision making consists of activities a manager performs to come to a conclusion.

It is a process of selecting one alternative, but one best alternative should be

selected. Features of the decision making are-(1) It is goal oriented, (2) dynamic process, (3) environmental related, (4) set of alternatives, (5) continuous process, (6) rational process.

Types of decisions are - Programmed Vs. Non- programmed decisions, routine and strategic decisions, organisational and personal decisions, individual and group decisions.

Decision making process involves the following steps:

1. Identification of the problem
2. diagnose the problem
3. Search for alternatives
4. Evaluation of the alternatives.
5. Choice of alternatives and
6. Implement and follow up. Bases of decision making are experience, experiment, research and analysis.

Bounded rationality is also known as administrative man theory. As the theory is propounded by Herbert Simon, In his opinion, in real life situations the decision maker cannot be fully rational. Absolute rationality is a super human quality. So the element of subjectivity can not be removed altogether.

1.5.8 KEY WORDS :

1. Evaluation of Alternatives : Studying the positive, negative impacts of every alternative decisions.
2. Goal Oriented Decision : Decisions taken in the light of goals.
3. Programmed Decisions : Routine and repetitive decisions.
4. Bounded Rationality : Administrative man theory propounded by Herbert Simon.
5. Strategic Decisions : Long Term plans based decisions.

1.5.9 EXERCISE :

(A) Short Questions :

- Q.1 Name various techniques of decision making.
- Q.2 What type of problems are faced while taking decisions?

(B) Long Questions :

- Q.1 What do you mean by decision-making? Explain various steps involved in it.
- Q.2 "Decision-making is a solution selected after examining several alternatives". Discuss.

1.5.10 SUGGESTED READINGS :

1. Principles of Business Management
By : (1) R.K. Sharma
(2) Shashi K. Gupta
Kalyani Publishers.
2. Principles and Practice of Management
By : Banerjee and Shyamal
Oxford and IBH Publishing Co., New Delhi.

Definition:

The Process of identifying and selecting a course of action to Solve specific problems.

Mandatory Student Feedback Form

<https://forms.gle/KS5CLhvpwrpgjwN98>

Note: Students, kindly click this google form link, and fill this feedback form once.