UNIT: 4

**Management** is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose.

According to *Harold Koontz*, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

According to *F.W. Taylor*, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

Management is a purposive activity. It is something that directs group efforts towards the attainment of certain pre - determined goals. It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world. Of course, these goals may vary from one enterprise to another. For Example one enterprise it may be launching of new products by conducting market surveys and for other it may be profit maximization by minimizing cost.

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc. Therefore, we can say that good management includes both being effective and efficient. Being effective means, doing the appropriate task that is fitting the square pegs in square holes and round pegs in round holes. Being efficient, means doing the task correctly at least possible cost with minimum wastage of resources.

Management can be defined in detail in following categories:

* Management as a [Process](http://www.managementstudyguide.com/management_process.htm)
* Management as an [Activity](http://www.managementstudyguide.com/management_activity.htm)
* Management as a [Discipline](http://www.managementstudyguide.com/management_discipline.htm)
* Management as a [Group](http://www.managementstudyguide.com/management_group.htm)
* Management as a [Science](http://www.managementstudyguide.com/management_science.htm)
* Management as an [Art](http://www.managementstudyguide.com/management_art.htm)
* Management as a [Profession](http://www.managementstudyguide.com/management_profession.htm)

# Management as a Process

As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts, according to **George R. Terry**, *“Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources”.* As a process, management consists of three aspects:

1. **Management is a social process -** Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.
2. **Management is an integrating process -** Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, it is an important function to bring harmony between various factors.
3. **Management is a continuous process -** It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

# Management as an Activity

Like various other activities performed by human beings such as writing, playing, eating, cooking etc, management is also an activity because a manager is one who accomplishes the objectives by directing the efforts of others.

According to Koontz, “Management is what a manager does”. Management as an activity includes -

1. **Informational activities -** In the functioning of business enterprise, the manager constantly has to receive and give information orally or in written. A communication link has to be maintained with subordinates as well as superiors for effective functioning of an enterprise.
2. **Decisional activities -** Practically all types of managerial activities are based on one or the other types of decisions. Therefore, managers are continuously involved in decisions of different kinds since the decision made by one manager becomes the basis of action to be taken by other managers. (E.g. Sales Manager is deciding the media & content of advertising).
3. **Inter-personal activities -** Management involves achieving goals through people. Therefore, managers have to interact with superiors as well as the sub-ordinates. They must maintain good relations with them. The inter-personal activities include with the sub-ordinates and taking care of the problem. (E.g. Bonuses to be given to the sub-ordinates).

# Management as a Discipline

Management as a discipline refers to that branch of knowledge which is connected to study of principles & practices of basic administration. It specifies certain code of conduct to be followed by the manager & also various methods for managing resources efficiently.

Management as a discipline specifies certain code of conduct for managers & indicates various methods of managing an enterprise. Management is a course of study which is now formally being taught in the institutes and universities after completing a prescribed course or by obtaining degree or diploma in management, a person can get employment as a manager.

Any branch of knowledge that fulfils following two requirements is known as discipline:

1. There must be scholars & thinkers who communicate relevant knowledge through research and publications.
2. The knowledge should be formally imparted by education and training programmes.

Since management satisfies both these problems, therefore it qualifies to be a discipline. Though it is comparatively a new discipline but it is growing at a faster pace.

# Management as a Group

Management as a group refers to all those persons who perform the task of managing an enterprise. When we say that management of ABC & Co. is good, we are referring to a group of people those who are managing. Thus as a group technically speaking, management will include all managers from chief executive to the first - line managers (lower-level managers). But in common practice management includes only top management i.e. Chief Executive, Chairman, General Manager, Board of Directors etc. In other words, those who are concerned with making important decisions, these persons enjoy the authorities to use resources to accomplish organizational objectives & also responsibility to for their efficient utilization.

Management as a group may be looked upon in two different ways:

1. All managers taken together.
2. Only the top management

The interpretation depends upon the context in which these terms are used. Broadly speaking, there are three types of managers -

1. **Patrimonial / Family Manager:** Those who have become managers by virtue of their being owners or relatives of the owners of company.
2. **Professional Managers:** Those who have been appointed on account of their specialized knowledge and degree.
3. **Political Managers / Civil Servants:** Those who manage public sector undertakings.

# Management as a Science

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

1. **Universally acceptance principles -** Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. For example - law of gravitation which can be applied in all countries irrespective of the time.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non business.

1. **Experimentation & Observation -** Scientific principles are derived through scientific investigation & researching i.e. they are based on logic. For example- the principle that earth goes round the sun has been scientifically proved.
2. **Cause & Effect Relationship -** Principles of science lay down cause and effect relationship between various variables. For example- when metals are heated, they are expanded. The cause is heating & result is expansion. The same is true for management; therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. in effectiveness. Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.
3. **Test of Validity & Predictability -** Validity of scientific principles can be tested at any time or any number of times i.e. they stand the test of time. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles. Example- H2 & O2 will always give H2O.

# Management as an Art

Art implies application of knowledge & skill to trying about desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters -

1. **Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles. E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also known how to apply various principles in real situations by functioning in capacity of manager.
2. **Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another. E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers ,whereas others as bad.
3. **Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination. Management is also creative in nature like any other art. It combines human and non-human resources in useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.
4. **Perfection through practice:** Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.
5. **Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to promote growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with molding the attitude and behavior of people at work towards desired goals.

## Management as both Science and Art

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

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to ’know’ and art teaches to ’do’. Example- a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.).

The old saying that “Manager are Born” has been rejected in favor of “Managers are Made”. It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

# Management as a Profession

Over a large few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers. The task of manager has been quite specialized. As a result of these developments the management has reached a stage where everything is to be managed professionally.

A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The essentials of a profession are:

1. **Specialized Knowledge -** A profession must have a systematic body of knowledge that can be used for development of professionals. Every professional must make deliberate efforts to acquire expertise in the principles and techniques. Similarly a manager must have devotion and involvement to acquire expertise in the science of management.
2. **Formal Education & Training -** There are no. of institutes and universities to impart education & training for a profession. No one can practice a profession without going through a prescribed course. Many institutes of management have been set up for imparting education and training. For example, a CA cannot audit the A/C’s unless he has acquired a degree or diploma for the same but no minimum qualifications and a course of study has been prescribed for managers by law. For example, MBA may be preferred but not necessary.
3. **Social Obligations -** Profession is a source of livelihood but professionals are primarily motivated by the desire to serve the society. Their actions are influenced by social norms and values. Similarly a manager is responsible not only to its owners but also to the society and therefore he is expected to provide quality goods at reasonable prices to the society.
4. **Code of Conduct -** Members of a profession have to abide by a code of conduct which contains certain rules and regulations, norms of honesty, integrity and special ethics. A code of conduct is enforced by a representative association to ensure self discipline among its members. Any member violating the code of conduct can be punished and his membership can be withdrawn. The AIMA has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violates it.

# Features of Management

Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as: -

1. **Management is Goal-Oriented:** The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfil the pre-determined goals. For example, the goal of an enterprise is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.
2. **Management integrates Human, Physical and Financial Resources:** In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.
3. **Management is Continuous:** Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. E.g. the target of a company is maximum production. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For this policies have to be again framed. Hence this is an ongoing process.
4. **Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. Whenever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel or others, management is required everywhere irrespective of size or type of activity.
5. **Management is a Group Activity:** Management is very much less concerned with individual’s efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management.

# Levels of Management

# The term ‘Levels of Management’ refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The levels of management determine a chain of command, the amount of authority and status enjoyed by any managerial position.

The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executive**
3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below in fig (1):

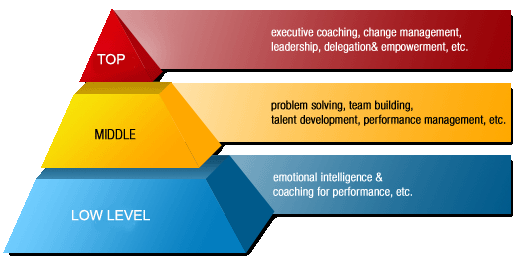


Fig. (1)Levels of Management

### Top Level of Management

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

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

* + Top management lays down the objectives and broad policies of the enterprise.
  + It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
  + Prepares strategic plans & policies for the enterprise.
  + Appoints the executive for middle level i.e. departmental managers.
  + Controls & coordinates the activities of all the departments.
  + It is also responsible for maintaining a contact with the outside world.
  + It provides guidance and direction.
  + The top management is also responsible towards the shareholders for the performance of the enterprise.

### Middle Level of Management

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

* + Execute the plans of the organization in accordance with the policies and directives of the top management.
  + They make plans for the sub-units of the organization.
  + Participate in employment & training of lower level management.
  + They interpret and explain policies from top level management to lower level.
  + Responsible for coordinating the activities within the division or department.
  + It also sends important reports and other important data to top level management.
  + Evaluate performance of junior managers.
  + They are also responsible for inspiring lower level managers towards better performance.

### Lower Level of Management

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

* + Assigning of jobs and tasks to various workers.
  + Guide and instruct workers for day to day activities.
  + They are responsible for the quality as well as quantity of production.
  + They are also entrusted with the responsibility of maintaining good relation in the organization.
  + Communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
  + Help to solve the grievances of the workers.
  + Supervise & guide the sub-ordinates.
  + They are responsible for providing training to the workers.
  + Arrange necessary materials, machines, tools etc for getting the things done.
  + Prepare periodical reports about the performance of the workers.
  + They ensure discipline in the enterprise.
  + Motivate workers.
  + They are the image builders of the enterprise because they are in direct contact with the workers.

# Objectives

The main objectives of management are:

1. **Getting Maximum Results with Minimum Efforts -** The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.
2. **Increasing the Efficiency of factors of Production -** Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.
3. **Maximum Prosperity for Employer & Employees -** Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.
4. **Human betterment & Social Justice -** Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

# Importance of Management

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

# Management and Administration

According to *Theo Haimann*, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise.

According to Newman, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”.

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

# The difference between Management and Administration can be summarized as:

|  |  |  |
| --- | --- | --- |
| **Basis** | **Management** | **Administration** |
| Meaning | Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals. | It is concerned with formulation of broad objectives, plans & policies. |
| Nature | Management is an executing function. | Administration is a decision-making function. |
| Process | Management decides who should as it & how should he do it. | Administration decides what is to be done & when it is to be done. |
| Function | Management is a doing function because managers get work done under their supervision. | Administration is a thinking function because plans & policies are determined under it. |
| Skills | Technical and Human skills | Conceptual and Human skills |
| Level | Middle & lower level function | Top level function |

**Functions of Management**

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

Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”.

Luther Gullick has given a keyword ’**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

* Planning

According to Koontz & O’Donell, “Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur”.

According to Urwick, “Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses”. Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action.

It is rightly said “**Well plan is half done**”. Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

## Steps in Planning Function

*Planning function of management* involves following steps:-

### Establishment of objectives

* + Planning requires a systematic approach.
  + Planning starts with the setting of goals and objectives to be achieved.
  + Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
  + Moreover objectives focus the attention of managers on the end results to be achieved.
  + As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
  + As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
  + Such goals should be specified in qualitative terms.
  + Hence objectives should be practical, acceptable, workable and achievable.

### Establishment of Planning Premises

* + Planning premises are the assumptions about the lively shape of events in future.
  + They serve as a basis of planning.
  + Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
  + It is to find out what obstacles are there in the way of business during the course of operations.
  + Establishment of planning premises is concerned to take such steps that avoid these obstacles to a great extent.
  + Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
  + Internal premises are controllable whereas external are non- controllable.

### Choice of alternative course of action

* + When forecast are available and premises are established, a number of alternative course of actions have to be considered.
  + For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
  + The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
  + After objective and scientific evaluation, the best alternative is chosen.
  + The planners should take help of various quantitative techniques to judge the stability of an alternative.

### Formulation of derivative plans

* + Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
  + These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
  + Derivative plans indicate time schedule and sequence of accomplishing various tasks.

### Securing Co-operation

* + After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
  + The purposes behind taking them into confidence are :-
    1. Subordinates may feel motivated since they are involved in decision making process.
    2. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
    3. Also the employees will be more interested in the execution of these plans.

### Follow up/Appraisal of plans

* + After choosing a particular course of action, it is put into action.
  + After the selected plan is implemented, it is important to appraise its effectiveness.
  + This is done on the basis of feedback or information received from departments or persons concerned.
  + This enables the management to correct deviations or modify the plan.
  + This step establishes a link between planning and controlling function.
  + The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

**Characteristics of Planning**

### Planning is goal-oriented.

* + Planning is made to achieve desired objective of business.
  + The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
  + Planning identifies the action that would lead to desired goals quickly & economically.
  + It provides sense of direction to various activities.

### Planning is looking ahead.

* + Planning is done for future.
  + It requires peeping in future, analyzing it and predicting it.
  + Thus planning is based on forecasting.
  + A plan is a synthesis of forecast.
  + It is a mental predisposition for things to happen in future.

### Planning is an intellectual process.

* + Planning is a mental exercise involving creative thinking, sound judgement and imagination.
  + It is not a mere guesswork but a rotational thinking.
  + A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
  + Planning is always based on goals, facts and considered estimates.

### Planning involves choice & decision making.

* + Planning essentially involves choice among various alternatives.
  + Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
  + Thus, decision making is an integral part of planning.
  + A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

### Planning is the primary function of management / Primacy of Planning.

* + Planning lays foundation for other functions of management.
  + It serves as a guide for organizing, staffing, directing and controlling.
  + All the functions of management are performed within the framework of plans laid out.
  + Therefore planning is the basic or fundamental function of management.

### Planning is a Continuous Process.

* + Planning is a never ending function due to the dynamic business environment.
  + Plans are also prepared for specific period f time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
  + Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

### Planning is all Pervasive.

* + It is required at all levels of management and in all departments of enterprise.
  + Of course, the scope of planning may differ from one level to another.
  + The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

### Planning is designed for efficiency.

* + Planning leads to accomplishment of objectives at the minimum possible cost.
  + It avoids wastage of resources and ensures adequate and optimum utilization of resources.
  + A plan is worthless or useless if it does not value the cost incurred on it.
  + Therefore planning must lead to saving of time, effort and money.
  + Planning leads to proper utilization of men, money, materials, methods and machines.

### Planning is Flexible.

* + Planning is done for the future.
  + Since future is unpredictable, planning must provide enough room to cope with the changes in customer’s demand, competition, govt. policies etc.
  + Under changed circumstances, the original plan of action must be revised and updated to make it more practical.
* **Organizing**

**Organizing** is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

***According to Chester Barnard****, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.*

A manager performs organizing function with the help of following steps:-

1. **Identification of activities -** All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.
2. **Departmentally organizing the activities -** In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.
3. **Classifying the authority -** Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern’s working.
4. **Co-ordination between authority and responsibility -** Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

**Importance of Organizing Function**

1. **Specialization -** Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.
2. **Well defined jobs -** Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.
3. **Clarifies authority -** Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers does not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.
4. **Co-ordination -** Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority- responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, “Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective.” Therefore, co-ordination of authority- responsibility is very important.

1. **Effective administration -** The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.
2. **Growth and diversification -** A company’s growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.
3. **Sense of security -** Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

**Scope for new changes -** Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure

**Principles of Organizing**

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

### Principle of Specialization

According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

### Principle of Functional Definition

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships help in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

### Principles of Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

* 1. **Wide span of control-** It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-
     1. Less overhead cost of supervision
     2. Prompt response from the employees
     3. Better communication
     4. Better supervision
     5. Better co-ordination
     6. Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

* 1. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-
     1. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
     2. Co-ordination is difficult to be achieved.
     3. Communication gaps can come.
     4. Messages can be distorted.
     5. Specialization work can be achieved.

### Factors influencing Span of Control

* **Managerial abilities-** In the concerns where managers are capable qualified and experienced, wide span of control is always helpful.
* **Competence of subordinates-** Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.
* **Nature of work-** If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.
* **Delegation of authority-** When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub- ordinates at one time.
* **Degree of decentralization-** Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and sub- ordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

### 4. Principle of Scalar Chain

Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

### Principle of Unity of Command

It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co-ordination and, therefore, effective organization.

**Authority Flows from Top to Bottom**

|  |
| --- |
| Aaa Managing Director |

|  |
| --- |
| Aaa Marketing Manager |

|  |
| --- |
| Aaa Sales/ Media Manager |

|  |
| --- |
| Aaa Salesman |

According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. These scalar chains of command always flow from top to bottom and it defines the authority positions of different managers at different levels.

**Classification of Organizations**

Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

1. **Formal Organization -** This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.
2. **Informal Organization -** It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

## Relationship between Formal and Informal Organizations

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern. Formal organization can work independently. But informal organization depends totally upon the formal organization. Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.

* **Staffing**

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

According to Theo Haimann, “Staffing pertains to recruitment, selection, development and compensation of subordinates.”

## Nature of Staffing Function

* **Staffing is an important managerial function-** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
* **Staffing is a pervasive activity-** As staffing function is carried out by all mangers and in all types of concerns where business activities are carried out.
* **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
* **The basis of staffing function is efficient management of personnel’s-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
* **Staffing helps in placing right men at the right job.** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.
* **Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

**Staffing Process - Steps involved in Staffing**

* **Manpower requirements-** The very first step in staffing is to plan the manpower inventory required by a concern in order to match them with the job requirements and demands. Therefore, it involves forecasting and determining the future manpower needs of the concern.
* **Recruitment-** Once the requirements are notified, the concern invites and solicits applications according to the invitations made to the desirable candidates.
* **Selection-** This is the screening step of staffing in which the solicited applications are screened out and suitable candidates are appointed as per the requirements.
* **Orientation and Placement-** Once screening takes place, the appointed candidates are made familiar to the work units and work environment through the orientation programmes. Placement takes place by putting right man on the right job.
* **Training and Development-** Training is a part of incentives given to the workers in order to develop and grow them within the concern. Training is generally given according to the nature of activities and scope of expansion in it. Along with it, the workers are developed by providing them extra benefits of in depth knowledge of their functional areas. Development also includes giving them key and important jobs as a test or examination in order to analyse their performances.
* **Remuneration-** It is a kind of compensation provided monetarily to the employees for their work performances. This is given according to the nature of job- skilled or unskilled, physical or mental, etc. Remuneration forms an important monetary incentive for the employees.
* **Performance Evaluation-** In order to keep a track or record of the behaviour, attitudes as well as opinions of the workers towards their jobs. For this regular assessment is done to evaluate and supervise different work units in a concern. It is basically concerning to know the development cycle and growth patterns of the employees in a concern.
* **Promotion and transfer-** Promotion is said to be a non- monetary incentive in which the worker is shifted from a higher job demanding bigger responsibilities as well as shifting the workers and transferring them to different work units and branches of the same organization.
* **DIRECTING**

**DIRECTING** is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, Organizing & staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently.

***According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned”*** Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

Direction has got following characteristics:

* **Pervasive Function -** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
* **Continuous Activity -** Direction is a continuous activity as it continuous throughout the life of organization.
* **Human Factor -** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
* **Creative Activity -** Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
* **Executive Function -** Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.
* **Delegate Function -** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people’s behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

**Importance of Directing Function**

Directing or Direction function is said to be the heart of management of process and therefore, is the central point around which accomplishment of goals take place. A few philosophers call Direction as “*Life spark of an enterprise*”. It is also called as on actuating function of management because it is through direction that the operation of an enterprise actually starts. Being the central character of enterprise, it provides many benefits to a concern which are as follows:-

* **It Initiates Actions -** Directions is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.
* **It Ingrates Efforts -** Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts brings effectiveness and stability in a concern.
* **Means of Motivation -** Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non - monetary, which serves as a “Morale booster” to the subordinates Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.
* **It Provides Stability -** Stability and balance in concern becomes very important for long term sun survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function - judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.
* **Coping up with the changes -** It is a human behaviour that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaption’s and smooth running of an enterprise. For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanization, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.
* **CONTROLLING**

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions.

***According to Brech, “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”***

***According to Donnell, “Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course.”***

Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

### Features of Controlling Function

Following are the characteristics of controlling function of management-

* Controlling is an end function- A function which comes once the performances are made in conformities with plans.
* Controlling is a pervasive function- which means it is performed by managers at all levels and in all type of concerns.
* Controlling is forward looking- because effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.
* Controlling is a dynamic process- since controlling requires taking review methods; changes have to be made wherever possible.
* Controlling is related with planning- Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. *Planning presupposes controlling and controlling succeeds planning*.

**Process of Controlling**

Controlling as a management function involves following steps:

* **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two-
  + Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
  + Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

* **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
  + Attitude of the workers,
  + Their morale to work,
  + The development in the attitudes regarding the physical environment, and
  + Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

* **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, “If a manager controls everything, he ends up controlling nothing.” For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various causes which have led to deviation. The causes can be-

* + Erroneous planning,
  + Co-ordination loosens,
  + Implementation of plans is defective, and
  + Supervision and communication is ineffective, etc.
* **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-
  + Taking corrective measures for deviations which have occurred; and
  + After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

# PROJECT MANAGEMENT

An Overview of the Project Management Philosophy and Mission

In today’s business environment, two factors have become common: change and complexity. The nature of business has incorporated these factors into our everyday lives. We work in an environment of constant change and increasing complexity, and must be competitive, productive, customer-focused, and profitable.

Much has been written about change in the business community. Indeed, we all know the one constant is the existence of change. Marketing strategies, manufacturing strategies, service strategies - all must accept the realization that as soon as the details are spelled out, factors in the marketplace will demand that the strategy be revisited. Managing change has become a key ingredient for today’s successful business.

Business has also become extremely complicated. This complexity is related to the number of factors involved in the effort, the global scope of markets, and the sheer size of the efforts being undertaken. Even small decisions often involve the interplay of hundreds of variables.

Project management is both an art and a science. The processes presented in this document illustrate the science of project management. The science consists of a systematic approach using a standard methodology. The art consists of "soft skills” including leadership, trust, credibility, problem solving, and managing expectations. The art of project management is developed through experience, practice, and intuition. A project manager who is skilled in the art instinctively knows how and when to react to project problems. Project management is equally divided between the art and science and a successful project manager utilizes and refines both skill sets to effectively manage projects.

**What Is A Project?**

Projects have become the new way of accomplishing and managing business activities. Projects are the temporary assemblage of key personnel designed to accomplish specific business objectives with identifiable customers in mind. A project has a beginning and an end. The project team dissolves once the objectives are met. It is fluid and driven by the specific needs of that business. The project approach to managing business activities embrace change and complexity.

**According to the PMBOK (Project Management Body of Knowledge)** 3rd edition, A project is defined as a “temporary endeavor with a beginning and an end and it must be used to create a unique product, service or result”. Further, it is progressively elaborated. What this definition of a project means is that projects are those activities that cannot go on indefinitely and must have a defined purpose.

Projects can be defined in many different ways. However, there are some traits that all projects have in common. Typically, these traits are used to identify what a project is. The most distinguishing feature is a specific time frame. All projects have a beginning and an end. Many efforts are called "projects” but actually become programs as they extend indefinitely and cover broader, less specific business objectives. Projects must have a clear, definitive goal or objective. The objective is specific, identifiable, and can be accomplished. A project usually involves varied activities, which produce quantifiable and qualifiable deliverables that when added together, accomplish the overall objective.

Characteristics of Projects

* A project has boundaries, so its extent is defined.
* A project is a one-time effort, usually requiring finite resources.
* There are distinct start and end dates for projects.
* You know when you have reached the end of the project.
* **PROJECT MANAGEMENT** is the process of achieving project objectives (schedule, budget and performance) through a set of activities that start and end at certain points in time and produce quantifiable and qualifiable deliverables. Successful project management is the art of bringing together the tasks, resources and people necessary to accomplish the business goals and objectives within the specified time constraints and within the monetary allowance. Projects and Programs are linked directly to the strategic goals and initiatives of the organization supported.

**The official definition provided by the Project Management Institute** [**(PMI, 2013)**](#bookmark88) **is as follows:**

Project management, then, is the application of knowledge, skills and techniques to execute projects effectively and efficiently. It's a strategic competency for organizations, enabling them to tie project results to business goals - and thus, better compete in their markets.

**The official definition provided by the Association for Project Management (APM, 2013) is as follows:**

Project management focuses on controlling the introduction of the desired change.

This involves:

* understanding the needs of stakeholders;
* planning what needs to be done, when, by whom, and to what standards;
* building and motivating the team;
* coordinating the work of different people;
* monitoring work being done;
* managing any changes to the plan;
* delivering successful results.

**Program Management is defined as a department that centralizes the management of projects**. What this means is that the PMO or the Project Management Office is a repository of all the projects that are being executed in an organization. Program Management serves the CIO (Chief Information Officer) by providing him or her with regular status updates regarding the progress of all the projects in the company.

The PMO’s role is to ensure that the projects are financially viable and to raise an alert whenever there is a possibility or occurrence of a cost overrun. The PMO also keeps tab on the billing and other details that are concerned with the project. Thus, the PMO’s function is to oversee the projects coming under its domain and act as a kind of monitoring agency for them. In the current scenario, there is a need for visionary leadership by the CIO’s in addition to the technical leadership.

**Project Manager’s role** is to ensure that the overall objectives of the project are achieved with the participation of each individual member. The project manager is like the Prima Donna and his or her acumen depends on how well he or she can leverage the strengths of the individual members while minimizing the impact of their weaknesses. Program managers take the same view but at a much higher level. Their job is on the overall bottom line for the division or the company and they drive the individual project managers. This is similar to that of a pyramid where the CIO or the program manager sits on the apex and the project manager at the next level, project leads further down and so on.

PROJECT MANAGEMENT LIFE CYCLE

The process each manager follows during the life of a project is called the Project Management Life Cycle. A proven methodical life cycle is necessary to repeatedly implement and manage projects successfully.

During the life cycle of any project, proven and tested project management processes or best practices are should be initiated. The types and extent of processes initiated depend on the nature of the project, i.e. size, probability of failure and consequences of failure. Strong and effective leaders apply process to protect all projects.

The Project Management Institute (PMI) provides guidance for project management in the Project Management Body of Knowledge (PMBOK). Every project has a life cycle, with a beginning, a life and an end (defined by accomplishing the objective). The following defines a typical project life cycle and shows the relationship between PMBOK Life Cycle Phases and our Life Cycle Phases:

|  |  |
| --- | --- |
| PMBOK Phases | Our Methodology Phases |
| Initiation | Initiation |
| Planning | Planning |
| Executing | Execution and Control |
| Controlling |  |
| Closing | Close-out |

There are nine major knowledge areas of project management that PMBOK describes as required expertise for all project managers. They are:

* Scope Management
* Communications Management
* Risk Management
* Human Resources Management
* Procurement Management
* Time Management
* Cost Management
* Quality Management
* Integration Management

### PROJECT MANAGEMENT TECHNIQUES

There are several techniques utilized for project management. Some of the techniques are as follows, and they are mainly used for project scheduling.

* **Gantt Charts:** These charts are used to depict the project tasks against time. It monitors progress of individual project tasks and also highlights dependency if any between those project tasks.
* **Network Planning Techniques:** These techniques show the relationship between project activities, project duration, critical path, constraints of non-critical activities and resource utilization. There are two types of network planning techniques Critical Path Method (CPM) and Program Evaluation and Review Technique (PERT).

**Importance of Project Management for Organizations**

Project management is the art of managing the project and its deliverables with a view to produce finished products or service. There are many ways in which a project can be carried out and the way in which it is executed is project management.

**Project management includes: identifying requirements, establishing clear and achievable objectives, balancing the competing demands from the different stakeholders and ensuring that a commonality of purpose is achieved**. It is clear that unless there is a structured and scientific approach to the practice of management, organizations would find themselves adrift in the Ocean called organizational development and hence would be unable to meet the myriad challenges that the modern era throws at them. Hence, the importance of project management to organizations cannot be emphasized more and the succeeding paragraphs provide some reasons why organizations must take the practice of project management seriously.

Without a scientific approach to the task of managing the projects and achieving objectives, it would be very difficult for the organizations to successfully execute the projects within the constraints of time, scope and quality and deliver the required result. In other words, there has to be a framework and a defined way of doing things to ensure that there is a structure to the art of project management.

Thus, project management is about creating structure and managing the project commitments and the delivery of agreed upon results. By using the methods of project management as described in the PMBOK and allied technical journals, organizations can seek to achieve control over the project environment and ensure that the project deliverables are being managed. Managers face what is known as the “triple constraint”. This is the competing demands of time, scope and quality upon the project manager’s list of things to do and how well the project manager manages these constraints goes a long way in determining the success of the project. Without the use of Project Management, managers and organizations would find themselves facing an unpredictable and chaotic environment over which they have little control. Thus, Project Management is both necessary and essential to the success of the project.

Project Management is too big an area to be covered in a few pages and the attempt is to provide concise and lucid definitions of the various terms and terminologies associated with a project. It is important to note that project management provides a framework within which subsequent actions by the organization can be taken and in this way, it is essential for organizations to adopt the framework provided by the practice of project management.

**COSTS IN PROJECT MANAGEMENT - COSTS ASSOCIATED WITH THE PROJECTS**

The following are the costs associated with the projects.

* **Direct cost**

Any cost that are directly attributable to the work on the project. These can include the salaries paid to the resources, the billing rate of the resources and costs of the software and hardware that are used for building the website

* **Indirect Cost**

These costs are spread out against many projects and cannot be linked to one project alone. These costs include those incurred in shared services like cost of office space, taxes paid by the organization and other services like secretarial and janitorial staff

* **Variable Cost**

Costs that change in proportion to the amount of time and material that are spent on produced in the project.

* **Fixed Cost**

Cost that do not change with the timeline or progress of the project

A cost be either Fixed or Variable; Direct or Indirect

### Time phased budget

A time phased budget would include the costs incurred at each interval or milestone of the project. The milestones for this project would be requirements, design, coding, testing and implementation. The budget for the same would be the costs at each stage of the project.

### Cumulative costs

The cumulative costs of the project are the ones that are incurred up to a specific phase or milestone of the project. It can be measured by using a Cost Performance Index or CPI which measures the ratio of the Earned value with regards to the Actual cost incurred on the project. As outlined above, all the costs that accumulate up to a particular phase can be called the cumulative costs of the project.

### Cost control

The cost management plan should include the plan for controlling the costs of the project. There should be a measurement of the costs involved and their variances tracked, if any. Any variance to the budget must be controlled by the controlling the impact of the cost changes.

Each of these management areas consists of processes, tools and techniques that are produced and/or applied to some degree during the course of any project. The following set of illustration depicts the project management life cycle, knowledge areas, and processes used:

Deliverables Typically Produced for Each PMBOK Knowledge Areas

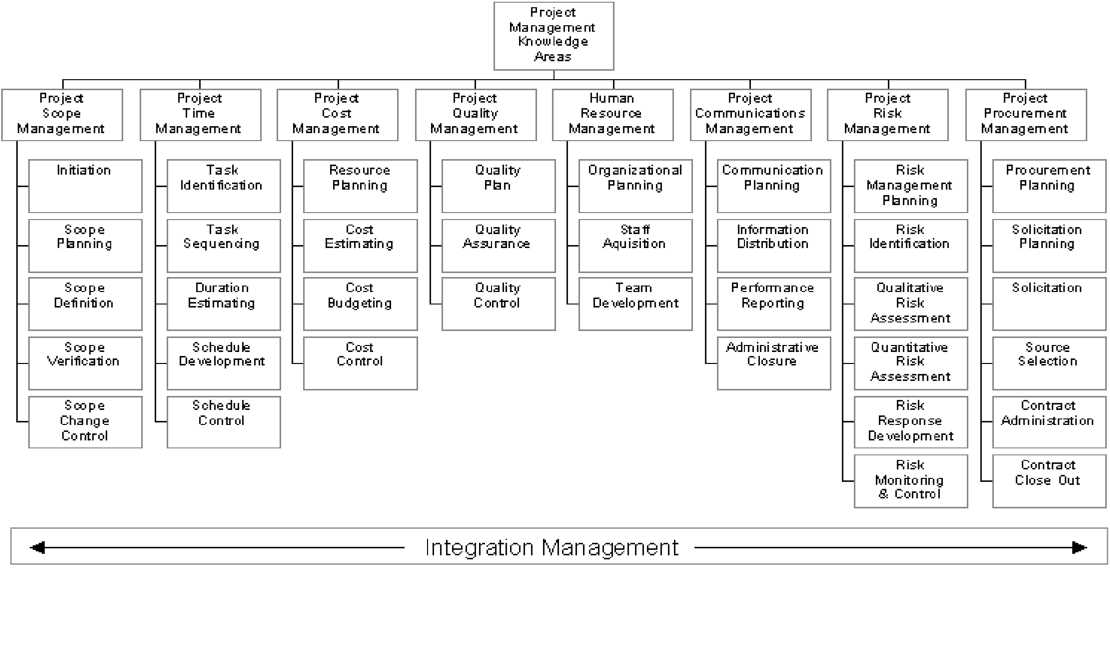


Diagram required or not in this …………….place

INTERNAL AND EXTERNAL PROJECT MANAGEMENT FORMS

The next thing to consider is what form the project management system is likely to take. It is important to understand that project teams can be set up and managed in numerous different ways depending on the characteristics of the project and of the organisations concerned. The most basic classification system for project forms comes under two headings:

* Internal Project Management

The most common form is for a project team to be created and to operate within an existing organisational structure. This format is commonly known as internal or non­executive project management.

An internal project management structure is one that is based entirely within the structure of the organisation. Since most large organisations adopt a functional structure, it follows that most internal project management structures operate within a functional hierarchy. In most cases an internal project management team compris­es people who are seconded from the various functional departments to serve for a period of time on the project. In many cases these people become members of the project team while they continue to work for their original functional department.

Projects operating within functional structures offer good flexibility in the use of people. Staffs are primarily employed to perform a functional task and in most cases their first allegiance is to the functional unit. Staffs are, however, temporarily assigned to projects that require their particular expertise. In addition, individual experts can be effectively used across a number of projects. If there is a broad base of expertise within a functional department, it can be employed on different projects with relative ease. The internal system also has the advantage that specialist knowledge can easily be built up and shared within the function. Continuity of expertise, procedures and administration is maintained within the function despite any personnel changes that may occur.

**Characteristics of internal project management**

* The project team is staffed by people who are taken either full-time or part-time from the various functional units within the organisation.
* The project manager leads the project team and is responsible for ensuring that the project achieves its aims and objectives.
* The functional managers continue to head the various functions. The functions remain central to the normal everyday objectives of the company.
* Because project team members are drawn from a range of different functions the project team is generally multidisciplinary.
* The project manager is responsible for developing the project team and for altering his or her leadership style to suit the development of the project team.
* The project manager and functional managers generally have the same level of authority within the organisation.
* The aims and objectives of the project manager and the functional managers are different, although both are in the interests of the organisation.
* There is always a potential for conflict between project aims and function aims.
* Project team members effectively have two bosses: the project manager and a functional manager.
* The project is temporary while the functions are generally permanent. The functions are usually seen as the mainstay of the organisation and project team members often see their career path as tied to the function rather than the pro­ject.
* **External Project Management**

**T**he main alternative form of project management is external project management. This form is sometimes referred to as executive project management. In external project management the project manager tends not to be an employee of the organisation concerned, but is usually a private professional consultant who offers professional project management services to the organisation or client in return for a fee. This is a form of agency agreement where the professional project manager agrees to act on behalf of the client and in the best interests of the client.

**Characteristics of an external project management**

* The external project manager is hired to act as an agent on behalf of the client.
* This alternative form may be advantageous where the client is seeking certain specialist skills that are not available in-house.
* The approach may also be used to transfer risk outside the organisation.
* The external project manager assumes responsibility for dealing with other external bodies such as suppliers and other consultants.
* The external project manager is usually commissioned through some form of professional services contract.
* Contracts are generally required with all external team members as they represent different organisations.
* All the contracts in the system are generally between the client and the various different consultants.
* External project management is more flexible than internal project management as external consultants can be hired as required.
* Any communication between the client body and the external project manager has to cross the organisational boundary. The organisational boundary usually acts as a direct barrier to effective communication.
* **PROJECT EVALUATION**

*Project evaluation assesses the economic, social, environmental and financial impacts of a project and combines these to provide an overall assessment of the project.*

Project evaluation assesses the economic, social, environmental and financial impacts of a project and combines these to provide an overall assessment of the project.

Economic analysis assesses the net worth of a project for the economy. It is usually the major element of a project evaluation because it provides a means to rank projects in terms of the efficient allocation of resources. It provides an initial default ranking for projects which may then be modified by analyses of the social, environmental and budgetary issues associated with these projects. For these reasons, economic analysis is discussed in greater detail in these guidelines than the other analyses.

Social and environmental analyses assess the effect of the project on social groups, employment, regional development, etc. and on natural ecosystems, pollution, heritage, rare species etc. respectively. They also identify ways to deal with these issues. The extent to which these analyses form part of a project evaluation depends on the importance of these issues for a particular project.

**Purpose of project evaluation**

The purposes of project evaluation are to improve the quality of services, to ensure value for money, and to prioritise proposed capital projects. This is achieved through a structured process which makes it possible to:

* Clearly define project objectives, and consider a wide range of options to meet these objectives;
* link the project to the strategic objectives of the government, the State Capital Works Program and an agency's physical asset strategic plan;
* Carry out economic, social, environmental and budgetary analyses of the project; and
* Identify the net benefit of the project to the community, and the effect on the State Budget.

Project evaluations assist departments to make decisions on proposed capital projects. They provide the means to assess the viability of proposed capital projects, and to rank competing projects in the department's annual capital works program.

**Elements of Project Evaluation**

The data on important aspects of the projects and the business environment which are needed to analyze them. The inputs will be assembled from various sources, and care should be taken to ensure its certainty, although some inputs will surely be very subjective. At the end of the day, an evaluation can only be as good as the data that go into it

|  |  |
| --- | --- |
| **Typical inputs** | |
| Technological | the technical activities which will have to be undertaken, maturity of technology, company's technological position |
| Internal | potential technical success, familiarity with the area of the project, role of individuals and of different functions within the organization |
| Financial | expected benefit, likely cost, both of project and consequent actions |
| Market | size and attractiveness of the market, competitive position |
| Business | clarification of objectives, fit with company's strategy, level of top-management support, key success factors |

**Project Evaluation techniques**

|  |  |
| --- | --- |
| **Techniques** | **Description** |
| Financial ratio methods | * Among the longest established, easily-applied methods * Criticised as of limited accuracy * The key is the ratio (financial benefit) /(cost) in which the estimations of benefits should be agreed by marketing |
| Cash flow analysis | * Requires the estimation of cash outflows and inflows * It can be sophisticated by considering discounting factors |
| Score index methods | * They generalize the simple Ratio Analysis by considering the probability for technical and market success * The estimations of probability are usually made by experts * Some of these methods include discount factors: some of the measures are Internal Rate of Return (IRR) and Return of Investment (ROI) |
| Mathematical methods | * They are based on the optimisation of allocation of R&D resources through mathematical programming * The success of the methods depends strongly on how well the benefit is understood and how well the input data is converted into variables * The algorithms tend to be customised and they can incorporate experience through expert systems |
| Matrix methods | * They employ subjective considerations for proper measurement of management information * Matrix methods use correlation techniques in order to identify relationships that constitute the basis for decision-making |
| Check-lists | * Method that includes the reminders of the factors which are important in decision-making * Simple and rapid way to assess a project with little effort * Can be considered as starting point for more sophisticated methods as SWOT analysis |
| Relevance and decision trees | * It is an approach for structured thinking * It requires a very clear objective or long term goal, establishing a clear differentiation between goals and means for achieving them * Critical path analysis and decision trees are examples of these methods |
| Multi criteria & table methods | * Scoring procedures to incorporate judgments based on a number of criteria * Various criteria may be used such as economic and financial factors and concepts or decision theory * The scoring of criteria is usually complemented with the use of weight factors in order to distinguish theimportance of each criteria |
| Quality Function Deployment | * It is used in many fields of design and engineering * It is based on the identification of customer requirements and the means for achieving those requirements * Includes a scoring procedure with weighting of the factors |
| Experience based methods | * They are based on the analysis of conditions that are usually related to the success or failure of a project (quality of execution, synergies, etc.) * Success or failure is predicted according to the answers to questions on those mentioned factors * The inputs for those factors should come from members in different departments |
| Vision | * The vision is that of an individual (a Chief Executive or a product champion) defying conventional wisdom and bringing about a breakthrough * It is common when information is scarce and it can be sustained by irrational methods * When it works it has many virtues: speedy, incisive and changing the scene |

Many techniques used today are totally or partially software based, which have some additional benefits in automating the process. In any case, the most important issue, for any method, is the managers' interpretation of the direct outcomes. The extent to which different techniques for project evaluation can be used will depend upon the nature of the project, the information availability, the company's culture and several other factors. This is clear from the variety of techniques which are theoretically available and the extent to which they have been used in practice. In any case, no matter which technique is selected by a company, it should be implemented, and probably adapted, according to the particular needs of that company.

Project evaluation report

The purpose of a project evaluation report is to inform departmental management, ministers and Cabinet Budget Committee of the relative importance and worth of capital projects. To be able to do this project evaluation reports must be clear and concise. A summary of the report should state:

* Whether the project is consistent with the government's overall direction and the department's strategic plan;
* If the project forms part of an interdepartmental strategy;
* What impact the project will have on service delivery;
* How the project contributes to increased productivity;
* What budgetary impact and economic return the project will produce;
* Whether options other than the government as owner and operator have been considered;
* Whether the project will attract external funding;
* Whether borrowings are to fund all or part of the project; and
* What scope there is for user charges to meet all or part of the cost.

**Body of the report should:**

* Identify the project name, location;
* State the project objective/s, and identify the most suitable options to meet the objective/s;
* Briefly describe the process used to analyse these options;
* Outline the results of the economic analysis including;
* the costs and benefits of the most suitable options,
* the results of the analyses of these options, and
* the identification and justification of assumptions used;
* Outline the results of the social, environmental and budget analyses;
* Provide a risk assessment of the options;
* Present a combined assessment of the economic, budgetary, social and environmental assessments, and then rank the options;
* Identify the preferred option; and
* Provide an analysis of the impact of the preferred option on the State Budget, and on other agencies.
* **VALUE ENGINEERING**

**Value**

The term ‘value’ is used in different ways and, consequently, has different meanings. The designer equates the value with reliability; a purchase person with price paid for the item; a production person with what it costs to manufacture and a sales person with what the customer is willing to pay.

*For Example*

**Cost value**

It is the summation of the labour, material, overhead and all other elements of cost required to produce an item or provide a service compared to a base.

**Exchange value**

It is the measure of all the properties, qualities and features of the product, which make the product possible of being traded for another product or for money.

**Value Engineering** is a function oriented, systematic team approach and study to provide value in a product, system or service. Often, this improvement is focused on cost reduction; however other important areas such as customer perceived quality and performance are also of paramount importance in the value equation.

Value engineering techniques can be applied to any product process procedure system or service in any kind of business or economic activity including health care, governance, construction, industry and in the service sector. It focuses on those value characteristics which are deemed most important from the customer point of view and reducing cost while maintaining or improving performance and quality requirement.

Value Engineering can achieve impressive savings, much greater than what is possible through conventional cost reduction exercise even when cost reduction is the objective of the task.

**Benefits of Value Engineering**

*Value Engineering helps your organization in:*

* Improving quality management
* Improving resource efficiency
* Simplifying procedures
* Minimizing paperwork
* Lowering staff costs
* Increasing procedural efficiency
* Optimizing construction expenditures
* Developing value attitudes in staff
* Competing more successfully in marketplace

**How Value Engineering Applied**

The technique of Value Engineering is governed by a structured decision making process to assess the value of procedures or services. Whenever unsatisfactory value is found, a Value Management Job plan can be followed. This procedure involves: Orientation, Information, Function, Creativity, Valuation, Recommendation, Implementation & Audit.

**Objectives of value engineering**

* **Increased profits –**With the cost reduction of a product, the profits of an organization increased. This results in time reduction. It also ensures greater returns on invested capital. The competitive position of company also improves.
* **Improved product Design** – With the modification in design, the customer will get a new and more acceptable product.
* **Efficiency** – It increases the efficiency of employees as it motivates them to come forward with their creative ideas. It also makes contributions to improve human factors such as creativity, team work and positive attitude among employees. The team approach also improves the decision making.
* **Time consideration** – A product has value for the customer if it is available to him on time. So time element has great importance in value engineering. It may have no value if it arrives later.
* **Improvement in quality** – This results in improvement in quality, reliability, performance and maintainability of a product.

**Value analysis** is one of the major techniques of cost reduction and cost prevention. It is a disciplined approach that ensures necessary functions for minimum cost without sacrificing quality, reliability, performance, and appearance.

**According to the Society of American Value Engineers (SAVE),** Value Analysis is the systematic application of recognized techniques which identify the function of a product or service, establish a monetary value for the function and provide the necessary function reliably at the lowest overall cost.

**Steps for value analysis:**

1. **Establish the objectives –**Example - cost reduction, function improvement
2. **Orientation/preparation –**Make a team for design, marketing, purchasing etc and fix a proper schedule.
3. **Information gathering –**Information of cost, physical parameters, schedule etc
4. **Analysis**
5. **Innovation/Creativity –**A brainstorming session can be held to explore all possible alternatives.
6. **Option evaluation –**Evaluate all possible solutions and select the best alternative.
7. **Implementation and monitoring** – Make a plan for implementation of change.

**When to apply Value Analysis**

One can definitely expect very good results by initiating a Value Analysis programme if one or more of the following symptoms are present:

* Company’s products show decline in sales.
* Company’s prices are higher than those of its competitors.
* Raw materials cost has grown disproportionate to the volume of production.
* New designs are being introduced.
* The cost of manufacture is rising disproportionate to the volume of production.
* Rate of return on investment has a falling trend.
* Inability of the firm to meet its delivery commitments.
* **DECISION MAKING - MEANING AND IMPORTANT CONCEPTS**

Every organization needs to make decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations’ overall growth and prospects.

**Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions**. Top notch companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company’s prospects.

Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable ? Is it innovative enough ? Can there be growth stimulant in the strategies proposed ? Handle-ful of such questions evolved from the decision taken by strategic group has reflective influence on the next level of managerial consultations and meetings. Let us accept, at this point of discussion, that proposals submitted by business development team would largely depend on another set of deliberations in the board room.

Thus, the final decision to roll out a product or service is through cumulative interim decisions taken by various internal and external parties. And also the final decision is reflective and founded on researches and consultations. Whole process is a chain affair where one decision taken at one point and at one level shall have far reaching implications in the way an organization moves forward.

As a matter of fact, capable of taking critical decisions are one of the many attributes that every manager should have, be it top level or middle or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival, as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others, i.e. the organization’s existence and growth thus is annotative with human endeavor to live and succeed. Success succeeds on the decisions taken, be it by an individual or an organization.

# What is Decision Making

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

As such, decision making process can be further exemplified in the backdrop of the following definitions.

### Definition of Decision Making

According to the Oxford Advanced Learner’s Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

Trewatha & Newport defines decision making process as follows: “**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”**.

As evidenced by the foregone definitions, decision making process is a consultative affair done by a comity of professionals to drive better functioning of any organization. Thereby, it is a continuous and dynamic activity that pervades all other activities pertaining to the organization. Since it is an ongoing activity, decision making process plays vital importance in the functioning of an organization. Since intellectual minds are involved in the process of decision making, it requires solid scientific knowledge coupled with skills and experience in addition to mental maturity.

**Further, decision making process can be regarded as check and balance system that keeps the organization growing both in vertical and linear directions**. It means that decision making process seeks a goal. The goals are pre-set business objectives, company missions and its vision. To achieve these goals, company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process. No decision comes as end in itself, since in may evolve new problems to solve. When one problem is solved another arises and so on, such that decision making process, as said earlier, is a continuous and dynamic.

A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute
6. Take follow up action

Since decision making process follows the above sequential steps, a lot of time is spent in this process. This is the case with every decision taken to solve management and administrative problems in a business setting. Though the whole process is time consuming, the result of such process in a professional organization is magnanimous.

# Steps in Decision Making Process

Decision making process is like a school exam. Those who take good decisions will pass the exam and the rest who does not take right decisions will have to bear the consequences. Being able to take good decision is important for everyone, whether he/she is a student, teacher, manager, principal, president, leader of any institution etc. A student has to take decisions about his career, a president has to take decisions regarding his country’s benefit, and a manager has to take decisions regarding his company and likewise the leader of any institution. So every single person has to pass this step in order to progress in their field.

The meaning of decision in Latin is to ‘cut off’. This means that from all the available alternatives you choose one thing and then cut off from all the other alternatives. Due to this, the decision making process sometimes becomes very difficult. Choosing the right option from all the available alternatives is very hard to do.

Decision making process requires thinking process, time, efforts, resources and also a little bit of knowledge and past experiences. Thinking process plays an important role in decision making process because it allows you to judge each and every thing. Timing is also important.

Taking right decisions on right time can save you from any trouble. Taking too little time to take decisions or taking too much time to execute your decision can cause many problems for you. Decision making processes also requires knowledge, experience and research. If you have knowledge, you can find out different alternatives for the problem faced. Making decisions without having proper knowledge about the problem can cause difficulties.

In our view decision making power is the key to progress in life. You might have seen many people who do not take proper decisions and then they have to suffer. On the other hand people who have this decision making power, continues to progress in their life. Not all of us have this decision making power. We try to make right decisions but sometimes we make mistakes because we don’t know the steps that we should follow during the decision making process. So in order to take right decisions, it is important that we should know all the steps of decision making process and follow them.

The **decision making process involves the following steps:**

1. Curious Observation
2. Existence of Problem
3. Goals & Planning
4. Search, Explore & Gather the Evidence
5. Generate Creative & Logical Alternative Solutions
6. Evaluate the Evidence
7. Make the Educated Guess (Hypothesis)
8. Challenge the Hypothesis
9. Reach a Conclusion
10. Suspend Judgment
11. Take Action

These steps will help you to take proper decisions

Each of these steps will be explained one by one in further articles. Anyone who wants to be a good decision maker should follow these steps. Whether your problem is big or small these steps will show you the right path to solve your problem and will lead you towards progression.

# Conflict Resolution and Decision Making

**Any decisions taken at any level have to take into account the conflicting needs of the individuals who are affected by the decisions and hence conflict resolution is a part of the decision making process**. How well the conflicts are resolved depends on the skill and leadership traits of the decision maker.

After all, any decision that is taken is to balance competing interests and is essentially an allocation of shared resources among the different groups. The point here is that in any organization there are scarce resources that need to be allocated among competing groups and hence the decision maker has to ensure that all the needs and concerns of the different groups are taken into consideration when making the decision.

Since most decisions involve some emotional component as well, the decision makers have to be especially sensitive to the needs of the people who are affected by the decisions.

**Consensual decision making ensures that most concerns of the different groups are heard and taken into account**. However, in the real world organizations, decision making by consensus might not be feasible since each group has its own agendas. Hence the decision makers have to ensure that the decisions that they take involve some amount of consultation and some amount of overriding the individual agendas. The reason being that though individual concerns can be taken into account, the decision makers have to keep the interests of the organization in mind and hence proceed accordingly. This is needed so as to prevent individuals and groups hijacking the decision making process with their agendas.

In most organizations it is common for the decision makers to elicit as much information as possible from the individuals and then only take the decision so as to provide balance and grievance redressal to the affected parties.

As this article has discussed, conflicts are inevitable when decisions are taken and the best way to deal with conflicts is to resolve them to the satisfaction of the aggrieved parties. However, this is easier said than done in this competitive world where nobody is willing to lose out on lucrative resources and forego their chances. So it takes quite a bit of skill and managerial abilities not to mention leadership traits to ensure that the decisions result in amicable settlements among the competing groups. The point here is that while it is not possible to please everybody, it is possible to give them a fair hearing and be patient with them so as to give an impression of consensual decision making.

In extreme cases when the competing groups do not agree or abide with the decision, it is left to the higher-ups in the organization to play the role of peacemakers. This is the process of appeal to the senior management as part of the concerns and grievance redressal. This is an essential component of the decision making process in organizations and only when there is active recourse to appeal can true decision making work.

**Decision Support Systems**

When it comes to good decision making, relying too heavily on automatic decisions stemming from perception or depending too much on conventions when information is bombarded on to us from all sides can be dangerous. Sometimes, you fail to either notice or seek out crucial information that supports decision making. This may be because of our biasness or shortage of time, funds and other resources.

However, when it comes to organizational decision making, perhaps you wouldn’t want to take risk. The reasons are obvious. One wrong decision can make many things go awry, including your brand image, product lifecycle, financial standing and employer brand. In many situations, you’re unable to apply fundamentals of economics, statistics and operations research to make lucid choices.

So, you need some knowledge based systems that support business decision making activities. This is where a decision support system comes into picture. **It is a computer-based system that helps you make planning, manufacturing, operations and management decisions, based on information available**. But you must remember that these systems are not the decision makers. They just aid in decision making, by offering insights that you may be missing and providing exact calculations. The ultimate decision maker is only you.

*Say, for example*, you need to devise a supply chain movement strategy. How will you do this? A DSS analyzes the stock of inventory and production movement. Basis the data available, it compares the outcomes of different decisions, helping you figure out what may work best currently. It helps you establish a supply chain movement that works.

Let’s take *another example*. Suppose you want to optimize your sales. How will you do it? Obviously, you’ll make some assumptions, collect data, facts and figures, generate reports, examine patterns and finally make a decision. When you do it manually, you never know what mistakes you’re committing. A DSS, in such a situation, can gather and analyze data and make predictions by monitoring existing patterns. It speeds up the whole process, giving you insights into how you can optimize your sales process.

A decision support system is:

* a computer-based application or program
* that compiles, combines and analyzes raw data, documents, fundamentals of social science, applied science, mathematics and managerial science, and personal knowledge (of decision maker/s)
* to identify problems and determine their solutions
* in order to facilitate optimal decision making

A decision support system is an interactive computer application that has complete access to information about your organization. When used, it offers comparative figures between one period and the next. It projects revenue figures based on assumptions related to product sales. A DSS is smart enough to help you understand the expenses involved in and consequences resulting from different decision alternatives.