Unit I . Fundamental Concepts about and Evolution of Management Thought

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1.0. Aims and Objectives

This study material will give you a very deep knowledge of management, and at the end of this course you will be well equipped with basic managerial concepts and know different theories put forward by well known thinkers. Therefore, at the end of this unit you will be able to:

- define the term management in your own words;
- know the need for learning management;
- discuss the different schools of thoughts;
- know the main sources of modern management;
- learn methods of overcoming problems of management;

1.1. Introduction

In any teaching-learning process, the development of concepts is essential and fundamental. As a field of study, management requires the development of concepts. Unless the most basic concepts of a field of study are developed at the outset, the teaching-learning process of a particular field of study would be difficult to carry out. Therefore, the first unit of this material aims at developing the most fundamental concepts about management.

1.2. Meaning of Management

What is Management?

Management is the process of designing and maintaining an environment in which individuals working together in groups, accomplish efficiently selected objectives. It is concerned with:

1.2.1. identifying the aims and objectives of an organization

1.2.2. implementing policies by setting procedures, programmes and strategies to help in the achievement of organizational aim and objectives;

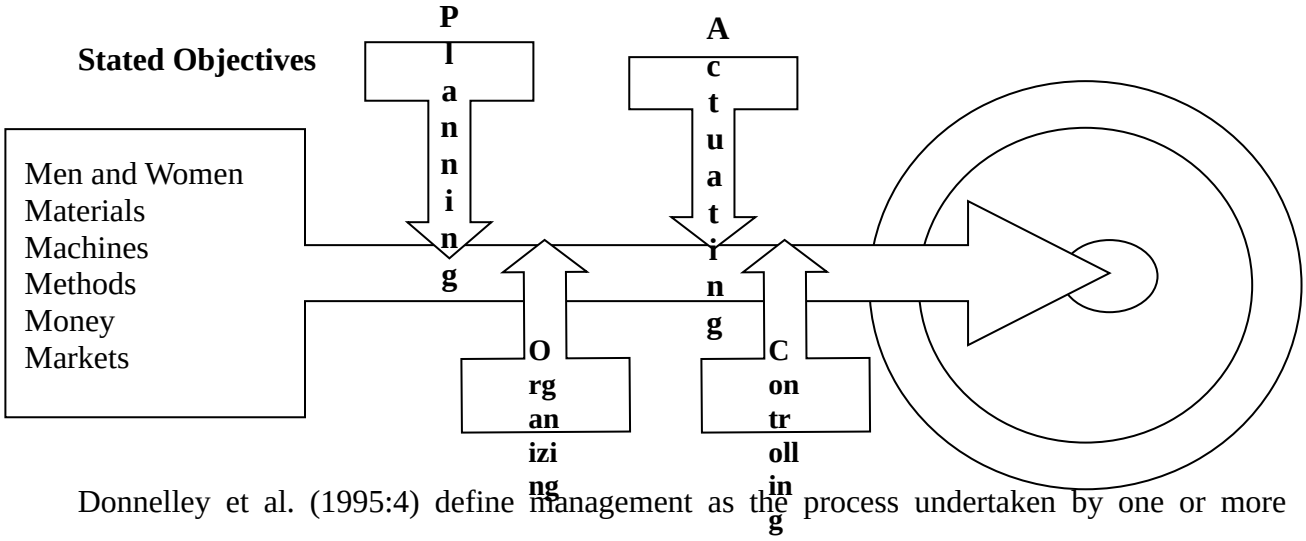
1.2.3. brining together all the various factors of production (People, money, materials, machinery, methods, and activates);

1.2.4. making the best possible use of the factors of production;

1.2.5. exercising control over the performance of the factors of production; and

1.2.6. providing conditions in which the persons associate with the organization-owners, employees, customers, and the community at large-derive maximum satisfaction (pagare, 1981)

Terry and Franklin (1997:4) define management as the distinct process consisting of activities of planning, organizing, actuating, and controlling performed to determine and accomplish stated objectives with the use of human beings and other resources. They have summarized the definition in the following figure.



Donnelley et al. (1995:4) define management as the process undertaken by one or more individuals to coordinate the activates of others to achieve results not achievable by one individual acting alone.

Ivaricevich et al (1981:10) define management as the process undertaken by one or more persons to coordinate other persons' activities to achieve high quality results not attainable by any person acting alone.

From the above definitions, one can sense that the authors have indicated certain elements in common. The most salient ones are those that points out the following facts:

a). management is a process

b). management consists of actives:

c). the activities lead to select and set objectives:

d). the coordination of activities involves people:

e). the activities focus on designing and maintaining an environment; and

f). the coordination aims at the achievement of qualitative results.

The idea of qualitative results is one of the central themes in managerial activates. Modern management focuses on competitiveness, which on the main rests upon quality.

Quality is defined as the totality of features and characteristics of a product or service that bear on the ability to stated or implied needs (Ivancevich et al. , 1981:10)

1.2.7. Check your progress.

Answer the questions in your not book. Do not look into the text while writing your answers. However, at the end, refer to the text and see how many of the questions you have answered correctly.

a). What does management mean?

b). What are the inputs that are processed in management to result in the achievement of stated objectives?

c). What are the functions or activates contained in management?

d).What does quality mean in management?

1.3. The Importance of Management

Some people may doubt the purpose of management. They might ask: why do people need training in management? Why is management important?

Management is a necessary factor of production. It is important for the setting up, proper running and success of a collective enterprise. It organizes the available human and physical resources and directs them toward better performance and higher productivity, at the most minimum of costs. (Terry and Franklin, 1997:5)

In short the importance of management includes the following:

1.3.1. Accomplishment of group goals

- Sound resource planning
- Adoption to business environment
- Day-to-Day direction and control of business activates

1.3.2. Efficient running of business

- Effective leadership and motivation
- Integration of individual interest

1.3.3. Producing with group interest sound organization structure

- Clear definition of authority and responsibility
- Integration of formal and informal group activities

Managers and responsible to take action that will make it possible for individuals to make their best contributions to group objectives. Since organizations cannot be established without objectives, management applies to small and large, to profit and non-for-profit enterprises to

manufacturing as well as service giving organizations. In other words, whether bad or good, management practices affect human lives. The term "enterprise" refers to business as well as non-business organizations such as government agencies, hospitals, Universities, and other organizations. The corporation and university president, the hospital administrator, the school director, the college dean, the football manager, the bishop of the church, etc are concerned with effective managing. The challenges the modern managerial ability include making a better economic life possible, improving social standards, and achieving more efficient and effective government (Terry and Franklin, 1997:5)

1.3.4. Check your progress. Follow the instructions given in 1.2.7

a). Why is management important?

b). is it possible to establish an organization without objectives? Why?

c). What is an enterprise? Give examples of profit-making, non -for-profit, service-giving and manufacturing organizations.

d). Give examples of managers of different organizations

1.4. Characteristics of Management

Authorities on the study of management try different methods and approaches to facilitate its conceptualization. Explaining the characteristics of management is one method of facilitating understanding.

When one talks about the characteristic of something., he/ she is referring to a typical or noticeable quality of that thing. To differentiate and understand management better , the following characteristics are pointed out and explained.

1.4.1. Management is a universal process that does not take the same form in all situations. Wherever there is human activity, whether individual or joint, there is management. The process of management can be noticed in all spheres of life while getting things done through other people. As a process, it involves a mix of rational, logical decision making and problem solving activates and intuitive, judgmental activates (R.K. Malhotra et al., 1997:178-181).

1.4.2. Management is a factor of production. Just as land, labor and capital have to be brought together and put to effective use for the production and distribution of goods and

services, similarly managerial skills have also to be acquired and effectively used for the purpose.

1.4.3. Management is goal-oriented. It deals with the achievement of something specific, expressed as an objective or a goal (Terry and Franklin, 1997:13) The most important goal of all management activity is to accomplish the objectives of an enterprise.

1.4.4. Management is supreme in thought and action. Management sets realizable objectives and then masterminds action on all fronts to accomplish them.

1.4.5. Management is a group activity. The basic requirement of successful management is replacing "I" with "we". An enterprise will not be able to achieve its objectives if only one or a few individuals or departments thereof are efficient, the rest being indifferent. For the success of an organization, it is necessary that all the human and physical resources at its disposal-people, money, materials machines, methods (activities) are efficiently coordinated to attain the maximum levels of productivity. But it is important to realize that there is no one best way to organize a business.

1.4.6. Management is a dynamic function. It is the dynamic function of a collective enterprise, which is constantly engaged in casting and recasting the enterprise in the world of an ever-changing business environment. It also sometimes initiates moves that reform and alter the business environment. If an enterprise is well- equipped to effect the changes in business environment brought about by economic, social, political, technological or human factors, it can soon adapt itself to changed environment or make innovations to adjust itself to it.

1.4.7. management is a social science. This involves dealing with individuals having different levels of sensitivity, understanding and dynamism.

1.4.8. Management is an important organ of society. It has an important place in society. While the society influences the managerial actions. Managerial actions also influence society. By their decisions, and organizational undertakings, managers influence the economic, social, political, religious, moral and institutional behavior of the members of society. This has created an awareness of the social and moral obligations of business management which cannot be easily ignored.

1.4.9. Management is a system of authority. Its job is to bring about a harmonious arrangement and pattern among the different resources employed in an undertaking. Its role as a factor of production puts an obligation on it to be methodical in plans and

procedures, and systematic and regular in their implementation. For this, it is necessary that the authority vested in the management is exercised properly and correctly.

4.10. Management is a profession. Managers need to possess managerial knowledge, skills and training. They have also to conform to a recognized code of conduct and remain conscious of their social and human obligations. If they stick to this code of conduct. They have also to conform to a recognized code of conduct and remain conscious of their social and human obligations. If they stick to this code of conduct, they will be rewarded as members of the organization.

1.4.11 Check your progress. Follow the instructions given in 1.2.7

a). What does characteristic Mean?

b). point out ten characteristics of management and explain each.

1.5. Distinctions To Be Made among Some Terms in Management

1.5.1. Administration versus Management

Many people find it difficult to say whether management is an art or a science. Managing is an activity, and like all other practices (medicine, composing music, engineering, accountancy, or even football) is an art. It is know-how. It is doing things in the light of the realities of a situation. The organized body of knowledge about management underlying the practice may be referred to as a science. So, in this context, science and art are not mutually exclusive but are complementary. The science underlying management is fairly crude and inexact, since the variables with which management deal are

extremely complex. In spite of this, the knowledge that is available in the field of management can certainly improve managerial practice. (Terry and Franklin, 1997; 6-7). Therefore, it is necessary to understand the elements of science since management is both a science and an art.

1.5.2.1. The Elements of Science

As an organized knowledge, science is characterized by the application of scientific methods to the development of knowledge. So, science has clear concepts, theory and other accumulated knowledge developed from hypotheses (assumptions that something are true), experimentations, observations, and analyses.

A concept is a clear mental image of any thing formed by generalization from particulars.

A scientific method involves determining facts thought experimentation, observation and analysis. Scientists also look for causal relationship. They expect and test generalizations or hypotheses for accuracy and truth. They test them whether they reflect or explain reality, and therefore have value in predicting what will happen in similar circumstances. This is how they arrive at the formulation of principles.

Principles are generalizations or hypotheses which reflect or explain reality. They are used for predication. Principles may be descriptive or predictive, and not prescriptive. That is, they describe how one variable relates to another-what will happen when these variables interact. They do not prescribe what we should do. (koontz, and Weihrich, 1988:10)

According to Terry and Franklin (1997:8), a principle is a fundamental truth or statement providing a guide to thought or action. The fundamental statement tells what results are expected when the principle is applied.

Theory is a systematic grouping of interdependent concepts and principles which give a frame-work to, or tie together, significant knowledge. " It is a filling cabinet in which facts can accumulate."

1.5.2.2. The Role of Management Theory

Management theory provides a means of classifying significant and relevant management knowledge. For example, there are a number of principles that are interrelated and that have a predictive value for manager. Some principles give

guidelines or directives for delegating authority; these include the principle of delegating by results expected, the principle of equality of authority and responsibility, and the principle of unity of command (Koontz and Weihrich 1988:10), all of which will be discussed in chapters to follow.

1.5.3. Check your progress. Follow the instructions given in 1.2.7

a). What is the difference between administration and management?

b). Is management an art or a science?

c). What are the four methods applied by scientists to develop knowledge?

d). Define the following terms:

i). hypothesis
ii) concept
iii) principle
iv). Theory

e). What is the role of management theory?

1.6. The Evolution of management Thought

The need for management has been in evidence ever since the appearance of complex tasks which required the involvement of two or more people for their performances. So, there is no doubt that management is as old as history itself. Constructing pyramids in Egypt, providing the Phoenician ships with all the necessary materials, developing Babylonian commerce, constructing the temples of Israel, erecting the obelisks of Axum, operating governments in the city states of ancient Greece, equipping and sustaining Hannibal's army during his war against the Romans, building roads to the distant reaches of the Roman Empire, propagating and preserving the Christian faith, supervising medieval feudal domains (Terry and Franklin 1997:20) constructing the rock-hewn churches of Lalibela, governing colonies on the part of the European colonizers in a distant hemisphere, etc, all demanded some degree of skill, art and understanding of the management of institutions, organizations or activities.

The evolution of management thought as a science from the practice of management art took many years. Some of the various management thoughts that developed through the years are comprehensive in scope, while others tend to be relatively confined to specialized areas. Some are closely related to each other, while others have little or no relationship among them. Some tend to extend the development of previously held concepts, while others basically take portion of different schools of thought and along with new core ideas, design a composite new approach. Still some others branch out in new directions employing new concepts and tools. In spite of the evolutionary developments, the systematic study of management is largely a product of the 20th century. Many writers categorize the theories that evolved through time into three major categories. Classical, Neo-classical and Modern.

1.6.1. The Early Management Pioneers

In the 18th and 19th century, some pioneer contributions have been made to the advancement of management by individuals and scientists.

1.6.1.1.1. Adam Smith (1723-1790) was known as the father of political economy; he had deep insight into the management functions. He wrote a book entitled "An Inquiry into the Nature and Causes of the Wealth of Nations" in 1776. He stressed that the division of labour increases productivity by increasing the skill and dexterity of the worker and saving time which is commonly lost in changing the type of work (Malhotra et al., 1977:45)

1.6.1.2. Robert owen (1771-1858)was an English industrialist and utopian socialist who improved the working conditions of workers by reducing the length of the working day, providing meals for them, and raising the minimum age for children employees. He referred to the employees as "vital machines," and preached that the human element is central to management function (Banerjee, 1981;40)

1.6.1.3. Charles Babbage (1792-1871) was a scientist who was interested in mathematics. He contributed to management theory by evolving the principles of cost accounting and the nature of the relationship between various disciplines. He also invented a calculating machine which he called a "difference machine". He advocated that workers should receive a fixed pay depending upon the nature of their work, and that they should get bonus for any improvement they suggest for increasing productivity (Malhotra et al., 1997;46)

1.6.2. The Classical Scientific School of Management

This was a new philosophy and attitude toward the use of human effort. It emphasized maximum output with minimum effort through the elimination of waste and inefficiency at the operative level (Leslie W. Rue and Lloyd L. Byars, 1992:30). Some of the most important proponents of this thought were the following:

1.6.2.1. Frederick Winslow Taylor (1856-1915) was an American who was acknowledged as "the father of scientific management "; he was primarily concerned with increasing productivity through greater efficiency in production and increasing pay for workers through

the application of the scientific method . He published a book entitled. "The principles of Scientific Management" in 1911. His four vital principles included the following:

a). Rules of thumb must be replaced with organized knowledge (science). That is, the best work method must be developed.

b). In place of discord, harmony in group action must be obtained. There must be close cooperation between managers and other employees. As a whole, instead of chaotic individualism, cooperation of human beings must be achieved.

c). Instead of restricted output, it is necessary to work for maximum output. This can be realized through relating and bringing together the best work method and the trained and developed workers.

d). It is important to scientifically select and develop all workers to the fullest extent possible for their own and their company's highest prosperity. He emphasized the concepts of research, standards, planning, control and cooperation. (Terry and Franklin, 1997:22 R.K. Malhotra et al., 1997:82) His supporters included:

1.6.2.2. Henry L. Gantt (1861-1919) an American who did much consulting work on the scientific selection of workers and the development of incentive bonus systems. He emphasized the need for developing a mutuality of interest between management and labor, a "harmonious cooperation." In doing this, he stressed the importance of teaching, of developing an understanding of systems on the part of both labor and management, and appreciated the idea that "In all problems of management, the human element is the most importance one. "He developed the famous graphic methods of depicting plans (The Gantt Chart) and making possible better managerial control. The chart showed the relationship between the work planned and completed on one axis and the time that elapsed on the other. He emphasized the importance of time as well as cost in planning and controlling work. (Donnelly et al., 1995:8)

1.6.2.3. Frank (1868-1924) and Lillian (1878-1972) Gilbreth were American husband and wife who strongly supported Taylor's scientific management. Frank carried out studies on time and motion, used standardization, emphasized selection, training, and paying incentives. By reducing the number of bricklaying motions from 18 to 4, he made possible the doubling of a bricklayer's productivity with no greater expenditure of effort. (Donnelly et al., 1995:8)

His wife Lillian was an industrial psychologist who after her husband's death carried on his consulting business and was widely acclaimed as the "first lady of management" up to 1972. She wrote a book entitled" psychology of Management" in 1914.

Lillian was interested in the human aspects of work, while her husband was interested in efficiency. Frank emphasized that in applying scientific-management principles, it is necessary to look at workers first and understand their personalities and needs. According to him, it is not the monotony of work that causes so much worker dissatisfaction, but rather management's lack of interest in workers.

1.6.3. The process or Functional Approach of Management

During the1940's, an attempt was made to identify and define a process for attaining desired objectives. This approach led management to refine the functions or components of management process. By the mid 1950,s the process or functional approach to management was the accepted method for the study of management (Rue and Byars, 1992:39-40)

1.6.3.1. Henri Fayol (1841-1925) wrote a book entitled "Administration Industrial et Generale" in 1916. He referred to as "the father of modern operational management theory". He divided industrial activities in to six groups: technical, commercial, financial, security, accounting and managerial (planning, organizing, commanding, coordinating and controlling)(Ivancevich et al., 1981:47). His principles of management include:

a). Division of work/labour is applicable to both technical and managerial work; it indicates that specialization is necessary to efficiency.

b). Authority and responsibility are related; authority is a combination of official (deriving from the manager's position) and personal power composed of intelligence, experiences, moral worth, past service, etc. Authority should match responsibility. It is formal authority that gives managers right to command.

c). Discipline, according to Fayol, is the "respect for agreements which are directed at achieving obedience, application of energy, and the outward marks of respect." Discipline required good superiors at all levels.

d). Unity of command or chain of command means that employees should receive orders from one superior only. If unity of command is broken, authority will be undermined, discipline will be in danger order disturbed, and stability threatened.

e). Unity of direction means that each group of activates with the same objective must have one head add one plan. This relates to the organization of the "body corporate," rather than to personnel (Fayol did not mean that all decisions should be made at the top).

f). Subordination of individual to general interest means when the interest of the two (employee and organization) are found to differ, management must reconcile them.

g). Remuneration and methods of payment should be fair and afford the maximum possible satisfaction to employees and employers.

h). Centralization. With out using the term" centralization of authority," Fayol refers to the extent to which authority is concentrated or dispersed. Individual circumstances will determine the degree that will "give the best overall yield".

i). Scalar chain, according to Fayol, is a "chain of superiors" from the highest to the lowest ranks. One must not from it needlessly. Scalar chain should be short-circuited. Failure to follow it scrupulously would be detrimental.

j). Order means "a place for everything (every one), and every thing (every one) in its/his/her place". It is a principle of organization in the arrangement of things and people to show their relationship to each other on the basis of their job.

k. Equity. Loyalty and devotion should be elicited from personnel by a combination of kindliness and justice on the part of managers when dealing with subordinates.

i). Stability of tenure. Finding unnecessary turnover to be both the cause and the effect of bad management, Fayol points out its dangers and costs. Employees should be encouraged to establish loyalty to the organization and to make a long-term commitment.

m). Initiative is conceived of as the thinking out and execution of a plan. Since it is in one of the "keenest satisfactions for an intelligent man to experience," Fayol advises managers to "sacrifice personal vanity" in order to permit subordinates to exercise it.

n. Esprit de crops This is the principle that expresses" In union there is strength," as well as an extension of the principle of unity-of command, emphasizing the need for teamwork and the importance of communication in obtaining it (Koontz and Weihric, 1988:31-32) Dannelly et al., 1995:10

These principles focused on the organization as a whole, not on a single segment of it. Fayol was the first to view management as being made up of functions. He emphasized rationalism and logical consistency (Terry and Franklin, 1997:22-23)

1.6.4. The Bureaucratic Approach to Management

According to Donnelly et al (1995:246), a bureaucracy is characterized by the following:

a). It has a clear division of labour with each job well defined, clearly understood, and routine procedures observed.

b). Each manager has a clearly defined relationship with other managers and subordinates; the relationships follow a hierarchy.

c). Each employee relies on specific rules, policies and procedures to guide behaviors.

d). Favoritism is minimized through the impersonal application of rules, policies, discipline, and rewards.

e). Rigid and equitable selection criteria are used to hire candidates for vacant jobs.

Max Weber (1864-1920) was a German sociologist who introduces the first bureaucratic model for the management of any large and complex organization. He carried out empirical analyses of church, government, the military, and business organizations. This led him to the belief that hierarchy, authority and bureaucracy (including clear rules, definition of tasks, discipline etc)lie at the foundations of all social organizations. (Donnelly et al., 1995:247).

Weber believed that exercising authority is based on the qualities of the leader or his/her charisma. He used this Greek term to mean any quality of the individual's personality that sets him/ her apart from ordinary people (Ivancevich et al., 981:49)

1.6.4.2. Check your progress. Follow the instructions given in 1.2.7.

a). What does evolution mean? Refer to a dictionary.

b). What do you understand from the statement, "Management is as old as history itself"?

c). What are the three categories into which the evolution of management thoughts are divided?

d). Who were the three well-known early management pioneers? What did they contribute to the development of management thought"?

e). Who is known as "the father of scientific management?" What are his four scientific principles?

f). Point out at least three factors why Hnery L. Gantt is a famous classical scientific management thinker.

g). Who was acknowledged as "the first lady of management"?

h). Who was Frak Gilbreth?

i) Why is Henri Fayol identified with the process or function approach to management? List his fourteen principles of management.

j).What are some of the characteristics of bureaucracy?

k). Who was max Weber? What are his contributions to the bureaucratic approach to management?

1.6.5. The Neo-Classical School of Management Thought

The Neo-Classical School of Management includes the Behavioral Sciences and the Human Relations Movement. Since it is founded on the Classical Scientific Bureaucratic Theory of Management, one can say that it is its modification and extension.

This theory gave great emphasis to the man behind the machine and stressed the importance of individual as well as the group relationship in the plant or workplace. The core of the neo-Classical Theory of Management comprises the human relations and behavioral science approaches to management . The two approaches pointed out the role of psychology, sociology and anthropology in the understanding of individual as well as group behavior in an organization, and advocated the importance of human values in business (Donnelly et al. 1995: 11-16).

1.6.5.1. The Behavioral Science Approach

Behavior science is defined by Alan C. Filley et al. in Donnelly et al. (1995:14), as the study of observable and verifiable human behavior in organizations, using scientific procedures. It is largely indicative and problem-centered, focusing on the issue of human behavior and drawing from any relevant literature, especially psychology, sociology, and anthropology.

This approach focused on studying the understanding individual as well as group behavior in an organization to bring about efficiency and productivity. The exponents of this approach include:

a). George Elton mayo (1880-1949) and his associates carried out the Hawthorne studies in the Western Electric Plant near Chicago from 1927-

1932 and found out that the improvement in productivity is due to social factors such as moral, satisfactory interrelationship between members of a work-group; a sense of belonging and effective management-a kind of managing that would understand human behavior, especially group behavior, and serve it through such interpersonal skills as motivating, counseling, leading and communicating.

The findings of this study were accepted and the concepts were carried beyond limit up until 1960, after which time management turned away from the extreme human relations ideas, particularly regarding direct relation between moral and productivity. (Koontz and Weihrich, 1988:35-36).

b). Vilfredo pareto (1848-1923) who was known as "the father of the social systems approach" to organization and management, between 1896 and 1917, viewed society as an intricate cluster of interdependent units, or elements (as a social system with many subsystems). According to Pareto, social systems tend to seek equilibrium upon being disturbed by outside or inside influence. Social attitudes or sentiments functions to cause the system to seek an equilibrium when disturbed by these forces. It is the task of the elite ("ruling class") in any society to provide the leadership to maintain the social system. (Koontz and Weihrich, 1988:34-35)

c. **Mary parker Follett** (1868-1933) was a management consultant with a background in law, political science, and philosophy. She believed that managers should be aware that each employee is a complex collection of emotions, beliefs, attitudes, and habits. To get employees

work harder managers have to recognize the motivating desires of the individual. Follett urged managers to motivate performance rather than simply to demand it.

Cooperation, a spirit of unity, and coordination of effort are the key to both productivity and a democratic way of life. Both managers and subordinates should exercise self-control and agree to take order from the situation, and thus share control (R.K. Malhotra et al., 1997:106).

1.6.5.2. The Human Relations Approach

This theory emphasized the need to build and maintain dynamic, yet harmonious human relations within the organization. When making decisions, effective managers have to give due considerations to human dignity, individual self-esteem and good relationships. Exploitation, manipulation, and insensitivity toward people are not accepted (Donnelly et al., 1995:12)

a). Chester Barnard (1886-1961) published a book that combined a thorough knowledge of organizational theory and sociology in 1938, He viewed the organization as a social structure and stressed its psychological aspects. Because he integrated traditional management and the social sciences, his work had a great impact on both managers and teachers or management (Rue and Byars, 1992:36). In short, Barnard contributed to the development of organization theory by combining the human relations approach to the technological and financial aspects of management. The four cornerstones of his formulations ere:

i). leadership;

ii). Cooperation;

iii). Organization developed as a system of communication, and

iv). Prestige, social and human ego and opportunities than financial incentives (S.Banerjee, 1981:39; Koontz and Weihrich, 1988:36;Koontz and Weihrich, 1988:36-37).

b). Hugo Munster berg (1836-1916) was a psychologist and a medical doctor who was acknowledged to be "the father of industrial psychology." He wrote a book entitled" Psychology and Industrial Efficiency" in 1912, with the objectives of discovering:

i). how to find whose mental qualities best fit them for the work they are to do;

ii) under what psychological conditions the greatest and most satisfactory output can be obtained from the work of every person, and,

iii). How a business can influence workers in such a way as to obtain the best possible results from them. (koontz and Weihrich, 1988:33-34)

1.6.5.3. The organizational Behavior Approach

According to this theory, the observed behavior in an organization is a function of the interaction between the organizational (nomothetic) and the individual (personality or idiographic) dimensions. Therefore, to understand or judge the behavior of a particular position holder (manager), it is necessary to understand both the organizational dimensions of his behavior (that is, the institution, his roles, and his expectations) as well as the individual's personality and his need dispositions (J.I Nwankwo, 1982:26).

This theory has been represented by the equation, B=f (RP). This means the observed behavior(B) is a function (f) of a given institutional role (R) as defined by the expectations attached to it and the personality of the particular incumbent (P) as defined by his own need disposition (Knezevich, 1969:517).

1.6.5.4. Check your progress. Follow the instructions given in 1.2.7.

a). What are the two components of the neo-classical school of management thought?

b). How is behavioral science defined?

c). From which sources of science does the behavioral science approach to management draw its ideas?

d). What ideas did the following contribute to the behavioral approach?

i) George Elton Mayo

ii) Vilfredo pareto

iii) Mary Parker Follet

e). What is the central idea of the human relations approach to management?

f). What is the central idea of the human relations approach to management?

i). Chester Barnard

ii). Hugo Munsteberg

g). Define the organizational behavior approach to management as represented by the equation B=f(RP)

1.6.6. The Modern Management Approaches

The theories of management have increased greatly over the past several decades. Many people have contributed ideas, concepts, principles, and guidelines to the sum knowledge about management. Currently some management experts depend more on one or another approach to management. Other employ a combination of some or all of the best approaches.

Modern management theories indicate the further refinement, extension, and synthesis of all the classical and neo-classical approaches to management. These trends appeared after 1960.

1.6.6.1. The Quantitative Management Perspective/ The Management Science Approach

This approach is also referred to as the mathematical or operations research approach, since new mathematical and statistical tools are applied in decision making on complex management problems. Interest in this approach expanded greatly as the use of electronic computers, which facilitate testing of models, became more and more common.

Most management science tools and techniques possess the following characteristics:

- Primarily they focus on decision making.
- They rely on economic effectiveness criteria.
- They rely on formal mathematical models.
- They depend on computer (Donnelly et al., 1995:17)

This approach stresses logic and rationality in making decisions, by providing managers with quantities bases for making decisions regarding the operations under their control. This approach is of great value in helping managers solve technical problems. Its main limitation is that many management problems involving human behavior cannot be structured maticaticlly, as that which id done in, for example, accounting A=L+C (Assets= Liabilities +Capital). (Donnelly et al., 1995:16-18).

Therefore, quantities analysis can only be a supplement to rather than a substitute for management and organizational and managerial decisions, which

Involve the human element represented by human judgment and human experience.

1.6.6.2. The System Approach. According to this approach, in an enterprise there are various parts (sub-systems). Some parts engage themselves in working for the accomplishment of predetermined goals. Other parts exit to establish harmony with external environment, such as customers, suppliers, general public and government. Each action of a part influences directly or indirectly the action of one or more of the parts and of the system as a whole. Each action of a part is conditioned by the existing limitation as the internal and external policies and practices.

In systems management, each of the different parts requires something (input) so that it can work (processing/transformation) to produce the desired result (output). Furthermore, each part is an independent, self-contained until so far as its own mechanism is concerned, but any change in one part is bound to have an impact on the other parts and on the system as a whole (Donnelly et al., 19-20: Koontz and Weihrich 1988:44.)

In other words, the systems approach stresses the interrelatedness and interdependence of all activates within an organization. When the systems theory is applied to organizations, the following features of the organizations become evident.

a). Organizations are subsystems of a broader environment.

b). Organizations are technical subsystems which use the knowledge of goal oriented people, techniques, equipment and facilities.

c). Organization is a structural subsystem in which people carry out interrelated activates.

d). Organizations are psychosocial system that are coordinated by managerial subsystem creating, planning, organizing, motivating, communicating, and controlling the overall efforts directed towards set goals.

1.6.6.3. Contingency Approach to Management.

This approach holds that good management consists in decision- making that takes into account the fact that different situations and conditions require different approaches. In other words, there is no one best way of managing: the

best way depends on the circumstances. Contingency theories have been developed in areas such as decision making, organizational design, leadership, planning, and group behavior(Rue and Byars ,1992:41).

According to this theory, there can be no principles to govern management practice. Management in one set of circumstance has to be different from management in a different set of circumstance because each problem situation has certain special characteristics of its own. Therefore, there is a need to keep a number of contingent plans.

According to Donnelly et al. (1995:21), the contingency approach has become more relevant to management because of the following factors:

- Increased globalization of enterprise and the need for more government business alliances to compete internationally.
- Demands for ethically and socially responsive leadership
- Changing demographics and skill requirement of the workforce.
- The emergence of new organizational structures that emphasize speed in reacting to environmental changes.
- Changing needs, preferences, and desires of employees for job security, participation, ownership, and personal fulfillment.

1.6.6.4. The Integrated or The Eclectic Approach

During the mid-sixties, there have been attempts to integrate the three approaches to management-classical, behavioral, and management sciences. The result was the emergence of the system and contingency approaches (Donnelly et al, 1995:19). But later people started to draw on the best available information form the various approaches to the study of management such as the following:

- **Empirical Approach-** Study of cases and evaluation of the experiences of others to guide in decision-making.
- **Behavioral and Human Relations Approach-** Use of psychology, sociology and anthropology to understand personal, interpersonal and group behavior;
- **Management Science Approach-** Use of mathematics to develp programs and models to test hypotheses and solve problems;
- **The Management Process Approach-** Study management functions to develop principles or fundamental truth about effective functioning.

1.6.6.5. Total Quality Management (TQM)

Total Quality Management is Both a philosophy and a set of guiding concepts, principles, and practices that represent the foundation of organizations that strive to continuously improve. TQM applies human resources and quantitative tools for improving all of the processes occurring within an organization and for meeting customers' current and future needs. It integrates the functions of management, technical and analytical tools, and continuous improvement practices. TQM addresses the quality of management as well as the management of quality. It involves everyone in the organization (managers and workers) in a long-term practice to develop processes that the customer-oriented, flexible and responsive, and that constantly improve quality; the creation of customer satisfaction is its central theme (Donnelly et al., 1995:287).

TQM as a system was taught by Edwards Deming (an American Statistician). In his teachings, he emphasizes learning, worker involvement leadership, and continuous improvement. He remarks that people are born with intrinsic motivation, a need for relationships with other people and with a need to be loved and esteemed by others, a natural inclination to learn and to be innovative. He also stresses the fact that one inherits a right to enjoy his work.

Peter Drucker (1909) an Austrian lawyer consider the present era of management to be a period of transformation. The modern organization must be organized for constant changes if it is to survive by acquiring qualified, knowledgeable people current and up to speed (Inancevich et al. 1981:44-45).

1.6.4.2. Check your progress. Follow the instructions given in 1.2.7

a). What do modern management theories indicate?

b). What are some of the characteristics of the management science approach?

c). How would you explain the systems approach to management?

d). How would you explain the contingency approach of management?

e). What important factors make the contingency approach to be more relevant to management?

f). How would you explain the integrated or eclectic approach to management?

g). Name two important TQM proponents and state their contribution.

Figure 1: The Evolution of Management Though

Early Management Pioneers

Adam Smith (1723-1790)
- Division of labour increases productivity
- It increases skill and dexterity

Robert owen(1771-1858)
- Tried to improve working conditions of workers
- Stressed the importance of the human element

Charles Babbage (1792-1871)
- Evolved the principles of cost accounting
- Invented a calculating machine
- Advocated fixed pay and bounus for

Classical Scientific School

Henery Gantt(1861-1919)
- It is importance for management and labour to work together
- Human element is most important aspect of management
- Developed GANTT Chart

Frederick Taylor(1856-1915)
- View management as a science
- Analyse it for greater production
- Pay more for more work

Frank and Lillian Gilbreth (1868-1924) (1879-1972)
- Management is an activity common to all human efforts, not just organizations
- Is can be understood through 14 principles

trative Approach

Max Weber (1864-1920)
- Achieve productivity gains in large, complex organizations through hierarchy, authority and bureaucracy

Henni Fayol (1841-1925)
- Management is an activity common to all human efforts, not just organizations
- It can be understood through 14 principles

Neo-Classical School

Behavioral Approach

Hugo Munsterberg (1836-1916)
- Different people have different mental qualities and this makes them more suited to different types of jobs in different organizations.

Vilfredo Pareto (1848-1923)
- Organizations are social systems which tend to seek an equilibrium when disturbed by an external force

Mary Parker Follett (1863-1933)
- Motivate performance; do not just demand it because we are all a complex collection of beliefs, emotions, attitudes and habits

Human Relations Approach

George Elton Mayon (1880-1949)
- Evolved the principles of cost accounting
- Individuals are greatly motivated by

Chester Barmard (1886-1961)
- The entire organization is a social structure with psychological needs

Modern Management Approaches

Quantities Management Science Approach
- Use computers to analyses complex problems with mathematical and statistical tools
- This is also referred to as "operations Research"
- It stresses logic and rationality and is great value in solving technical problems; its limitation is that it can not analyses management problems involving human behavior

Contingency Approach
- This considers that for each new situation and condition, mangers must take a different approach. There is no one best way of managing and so you must develop many contingency plans to deal with different problems.

Integrated of Electric Approach
- This approach draws on the best available information from the other management approaches eg.
- Behavioral approach
- Management science approach and
- Management process approach

System Approach
- This considers that for each new views an organization as a "system" comprised of various "sub-system" some working to achieve predetermined goals and others to manager key external factors such as customers, suppliers, public and government
- Each sub-system has inputs and outputs and they are all inter-related-a change in one will affect the others

Total Quality Management
- TQM applies human resources and quantities tools for improving all of the key processes within an organization, particularly those necessary to satisfy customers current and future needs.
- TQM addresses the quality of management as well as the management of quality.

1.7. Management and Managers

1.7.1. Managers and Their Aims in Management

One of the most important aims of mangers is keeping their organization in existence. The organization has to overcome all managerial and other problems to exist. This is what is known as survival in all kinds of organizations, whether business or non-business. The other aim of all managers should be surplus production. Managers must establish an environment in which people can accomplish group goals with the least amount of time, money, materials, and personal dissatisfaction, or where they can achieve as much as possible a desired goal with available resources or minimum resources; that is, the environment must allow them to be productive or produce surplus. Now let us look at three important terms that pertain to the aims of managers in management.

Productivity, Effectiveness, and Efficiency

Managers must be productive. Productivity is the output ratio with a time period with due consideration for quality. It can be expressed as follows:

Productivity= Outputs within a time period, quality considered.

Inputs

Thus, Productivity can be improved by increasing output with the same inputs, by decreasing inputs but maintaining the same outputs, or changing the ratio favorably by increasing output and decreasing inputs. The greatest opportunity for increasing productivity is to be found in knowledge, work itself, and especially in management.

Productivity implies effectiveness and efficiency in individual and organizational performance. Effectiveness is the achievement of objectives. Efficiency is the achievement of the ends with the least amount of resources. To know whether they are productive, managers must know their goals and those of the organization (Koontz and Weihrich, 1988:8-9)

1.7.2. Managerial Skills

Regardless of the level at which mangers perform, they must learn and develop many skills. A skill is an ability or proficiency in performing a particular task. Ivancevich et al. (1994), classify skills as technical, analytical, decision-making, human relations, conceptual and computer skills.

a). Technical skills are the ability to use specific knowledge, techniques, and resources in performing work

b). Analytical skills are the ability to use specific approaches or techniques in solving managerial problems.

c). Decision-making skills are skills in choosing from among alternatives and selecting a course of action which is greatly influenced by analytical skills.

d). People skills (Human relations skills) are the ability to work with, communicate with and understand others. Communication skills involve the ability to interact in ways that other people understand and to seek and use feedback from one's audience (employees) that one is understood.

e). Conceptual skills consist of the ability to see the big picture, the complexities of the overall organization and how the various parts fit together.

f). Computer skills are the ability to use computer software applications and have a conceptual understanding of how computers work. (Ivancevich et al., 1994:20-21)

Terry and Franklin (1997:7). as well as Donnelly et al., (1995:48-49) stress that successful managers in organizational life are those that possess human skill, technical skill and conceptual skill. These three basic skills are essential for effective managerial performance. Furthermore, both groups maintain the fact that a different mix of the three skills is required at the three managerial levels.

1.7.3. Managerial Roles

A role is a behavior pattern expected of an individual within a unit or position. According to Henery Minizberg in Donnelly et al. (1995:49-52), roles can be classified into three: interpersonal, informational, and decisional roles.

1.7.3.1. Interpersonal roles are again classified into three

a). Figurehead role is representing an organization at different occasions such as handing out diplomas and inaugurating new buildings.

b). Leadership role involves directing and coordinating subordinates' activities such as motivating, communicating and guiding.

c). The liaison role involves managers in interpersonal relationship outside their area of command. It may involve contacts both inside and outside the organization.

1.7.3.2. Informational Roles are roles assumed by managers that establish them as the central point for receiving and sending non-routine information. The manager has a monitoring role

in which case he/ she changes, opportunities, and problems that may affect the unit of organization.

The manager has to play the disseminator role, which involves providing important or privileged information to subordinates. In the spokesperson role, the manager represents the unit or organization to other people internally or externally.

1.7.3.3. Decisional roles are the roles assumed by managers that establish them as decision makers after receiving interpersonal and informational input. Other decisional roles included entrepreneur, disturbance handler (conflict resolve) resource allocate, and negotiator (Ivancevich et al., 1981:21-24; Rue and Byars, 1992:7)

1.7.4. Managerial Techniques

Techniques are ways of doing things or method of accomplishing a given result. As in all other fields of practice, they are very important in management, even though few really important managerial techniques have been invented. Among them are budgeting, cost accounting, network planning and control techniques like the Program Evaluation and Review Technique (PERT), Managing by Objectives (MBO), etc. Techniques normally reflect theory and are a means of helping managers undertake activates most effectively. (Koontz et al., 1988:10-12)

1.7.5. The Functions of Managers

Managers in any part of the world essentially face three managerial tasks:

managing work and organizations; managing people; and managing production and operations. To accomplish these tasks, the carryout different functions (Donnelly et al., 1995:21-23).

The functions of managers provide a useful framework for organizing management knowledge. These functions include planning, organizing, staffing, directing, and controlling.

Planning Means deciding what objectives to pursue during a future period and what to do in order to achieve those objectives.

Organizing Means grouping activates, assigning activates and providing the authority necessary to carry to them out.

Staffing Means determining human resource needs, and recruiting, selecting, training and developing human resources.

Directing Means leading and channeling human behavior toward the accomplishment of objectives.

Controlling means measuring performance against objectives determining cause of deviations and taking corrective action where necessary (Rue and Byars, 1992:6; Koontz and Weihrich, 1988:15-18).

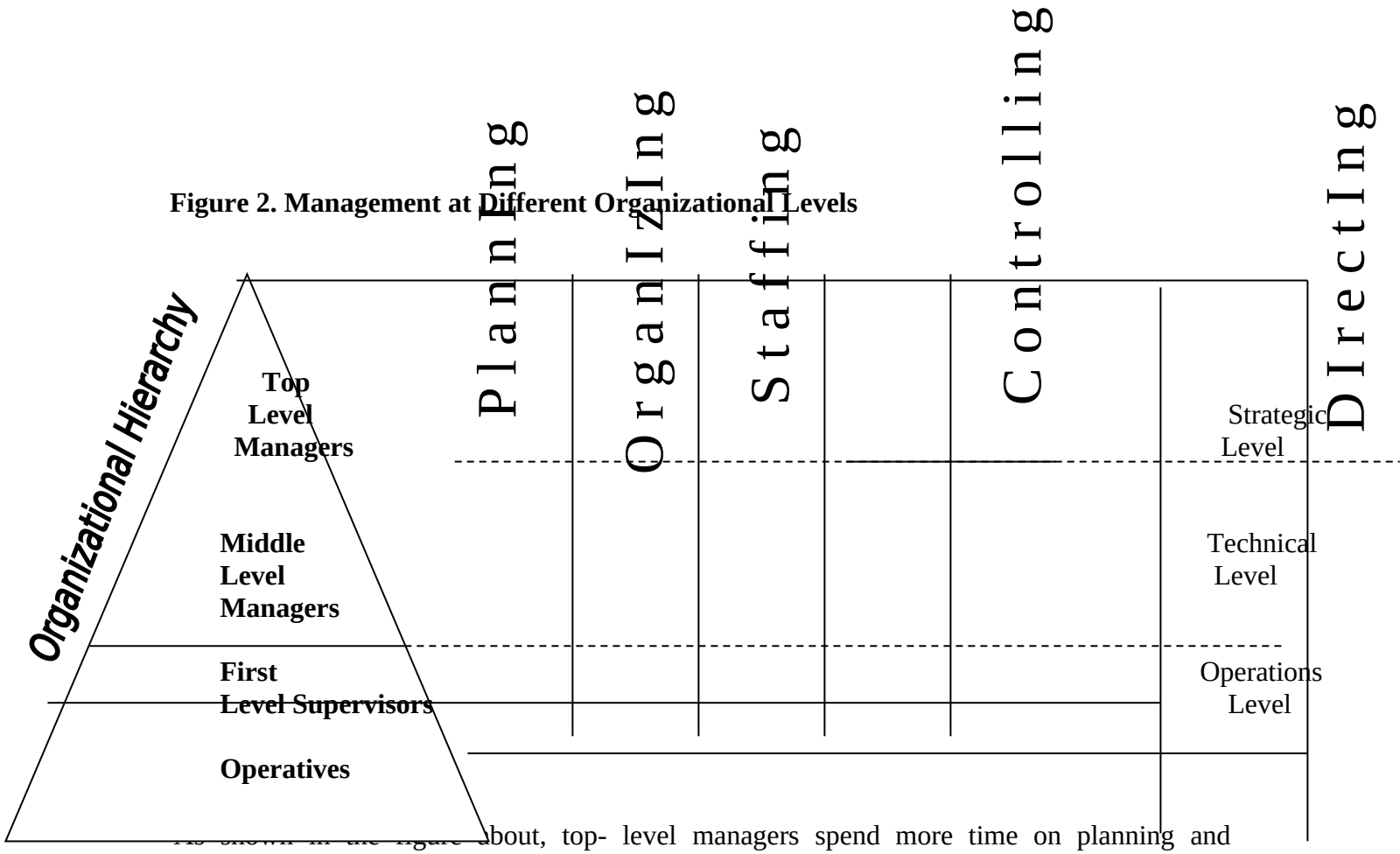
Very often, in management, the tasks of designing the internal environment of an organization is emphasized; but the external environment of an enterprise as well as the internal environment of the various department within an organization need careful operation.

Managers cannot carry their tasks well unless they have an understanding of, and are responsive to, the elements of external environment-economic, technological social, political, and ethical factors that affect their areas of operation. Managerial work consists of three fundamental tasks: managing work and organizations, managing people , and managing production and operations (Donnelly et al., 1995:25)

1.7.6. Management at Different Organizational Levels

There is no basic distinction between managers, executives, administrators, and supervisors. A given situation may differ among various levels in an organization or various types of enterprises. The scope of authority may vary and the types of problems dealt with may be considerably different. Furthermore, whoever managers may be directing, all obtain results by establishing an environment for effective group endeavor. The time spend by managers for managerial functions may differ from function to function.

Figure 2. Management at Different Organizational Levels



As shown in the figure about, top- level managers spend more time on planning and organizing than lower-level managers. Directing tasks a great deal of time for first level supervisors. But generally, the difference in time spent on controlling varies only slightly for manager at the various levels (Koontz and Weihrich, 1988:5-6). And while both the amount of time in the various roles and the activates performed in each role may differ, all managers perform interpersonal, informational, and decisional roles (Donnelly et al., 1995:52)

1.6.4.2. Check your progress. Follow the instructions given in 1.2.7

a). What are the aims of managers in management?

b) What is productivity? How can one express productivity?

c). What is the difference between effectiveness and efficiency?

d). Define the following:

i). managerial skills

ii). Managerial roles

iii) managerial techniques

e). What are the classifications of managerial skills? Identify and define them.
f). What are the classifications of managerial roles? Identify and define them.

1.7.8. Unit Summary

Management is the process of designing and maintaining an environment in which people work together and accomplish set objectives. It consists of activates of planning, organizing, staffing, directing and controlling.

One of the central themes of the above activities is coming up with qualitative results. Quality is the total characteristics of products and services that have the ability to satisfy stated or implied needs. This is done through efferent and effective management.

Management is an important and necessary factor of production, because it enables the accomplishment of group goals, efficient running of business, and creating sound organization structure.

As a factor of production, management is a universal process that leads to goal attainment. It is a dynamic group activity that is supreme in thought and action.

The other features which characterize management include its being a social science, profession, an organ of society, and a system of authority . But this does not mean that management is just only a science. Instead, it is both an art and a science with its own concepts, principles and theories which provide a means of classifying significant and relevant knowledge.

Management thought as a science, is not some thing that suddenly appeared or was discovered at a particular period in history. It evolved through time from the practice of management art. The early pioneers emphasized the division of labour, the human element being central to management, and the ideas of fixed pay and bonuses to increase productivity.

The classical scientist focused on the idea of maximum output with minimum effort through the elimination of waste and inefficiency at the operative level.

The process or functional theoreticians refined the components of management process, while the bureaucratic theoreticians emphasized the fact that hierarchy, authority and bureaucracy lie at the foundations of all social organizations.

The neo-classical scientist modified and extended the thoughts of the classical scientists. They emphasized the man behind the machine and stressed the importance of t he individual as well as the group relationship in the workplace. This approach relied for ideas on other social sciences,: psychology, sociology and anthropology. The approach as a whole is classified into two categories: the human relations and the behavioral approach.

The human relations theory emphasized the need to build and maintain dynamic, yet harmonious human relations within the organization, while the behavioral science approach focused on studying and understanding individual as well as group behavior in organizations to bring about efficiency and productivity.

The modern theories that evolved later include the management science approach, the system approach, the contingency approach, the integrated approach and the total quality management (TQM) approach. Figure 1 in the text gives a complete summary of the evolution of management thought.

1.7.9. Model Questions

In answering these questions, follow the instructions give in 1.2.7

1. Define management
2. describe the nature of characteristics of management
3. what are the functions of management?
4. what are the most important elements of the external environment that need to be understood by managers?
5. Identify the most important levels of management and explain how the time spent by the managers at these different levels on the different managerial functions differ.
6. What is the aim of all managers?
7. a). Define productivity, effectiveness and efficiency
   b). How is their relationship towards each other expressed?

8. What are the most important managerial skills that managers need to develop? Explain about each.
9. Describe managerial roles.
10. Is management a science or an art? Explain
11. Point out the elements of science an define them
12. What role does management theory play?
13. Explain what is meant by management techniques
14. Explain the statement, "Management is as old as history itself."
15. Write short notes on the following:
    a). Charles Babbage
    b). Robert Owen
    c) Max Weber
    d). Fredrick Winslow Taylor
    e). Henri Fayol
    f). Henry L. Gantt
    g). Frank Bilbreth
    h). Lillian Gilbreth
    I). Mary parker Follett
    j).G. Elton Mayo
    k). Vilfredo paeto
    l). Hugo Munsterberg
16. What are the two components of the Neo-classical Theory of Management? Describe each
17. Explain the following:
    a). The operations research approach/ the quantities approach to management
    b). The system approach to management
    c). The contingency approach to management
    d). The integrated or eclectic approach to management
    e). The total quality management approach

Recommended Books

D. Pagare, Principles of Management, S, Chandan and Sons Publisher, new Delhi, 1981

G.R. Terry and S.G. Franki, Principles of Management, AITBS, New Delhi, 1997

Harold Koontz, Management, Mc Graw Hill Co., USA, 1985

James H. Donnelly, James L. Gibson and J.M, Ivancevich, **Fundamentals of Management,** Richard D. Irwin, inc., 1995

BLOCK 2. FUNCTIONS OF MANAGEMENT

Unit II. Planning

Unit III. Organizing

Unit IV. Staffing /personnel Management/Human Resources Management

Unit V. Directing

Unit VI. Controlling

Unit II: Planning

Contents

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2.2. Meaning of Planning
2.3. Nature of Characteristics of Planning
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2.5. Check Your Progress
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2.10. Types of Plans
2.11. Check Your Progress
2.12. Limitations of Plans
2.13. The Decision-making process
2.14. Summary of Unit Two
2.15. Model Questions

2.0. AIMS AND OBJECTIVES

You may recalled from unit 1 that firms need to plan to survive, and this plan must be communicated to those responsible for carrying them out.

In this unit you will explore the meaning of planning an the different concepts associated with it.

By the time finish this unit you should be able to:

- Explain the meaning and importance of planning
- Identify the basic principles underlying managerial planning;

- Understand the different types of plans;
- Identify the major steps of the planning process;
- Explain the practical limitation of planning; and
- Identify the elements of planning

2.1. INTRODUCTION

Planning is the first managerial function that all managers perform at different levels. It is very important because it lays down the groundwork for the other functions. In view of this, you are required to study it having the above given objectives in mind.

Planning is a very interesting topic. You are therefore, strongly advised to see how your organization plans its budget or other projects while reading this unit. use your dictionary to find meaning of words which are not familiar to you. If you face any problem in the unit do not hesitate to ask a person who is qualified.

2.2. MEANING OF PLANNING

What is planning?

"To plan is to produce a scheme for future action to bring about specified result, at specified cost, in a specified period of time. It is a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed and effect of change."

(Cyxil L. Hudson)

"planning is a continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing the efforts needed to carry out these decisions and measuring the results of these decisions and measuring the result of these decisions against the expectation through organized and systematic feedback." (Peter Drucker)

Planning is a dynamic process of making decision today about future action and it is a selection or choice among alternatives as to accomplish:

- What objectives should be achieved?
- What actions should be taken?
- When should it be taken?

- Who should do it?
- Where should it be done?

In general the planning activity involves defining the organization's objectives, establishing an overall strategy for achieving these goals and developing comprehensive hierarchy of plans to integrate or coordinate activities.

2.3. NATURE OF CHARACTERISTICS OF PLANNING

Planning has the following characteristics

a) The contribution of planning to purpose/objectives.

Objectives are the very important reason for the existence of any organization, so every plan and its derivatives should facilitate the accomplishment of organizational objectives.

b) The primacy of planning.

Planning logically precedes the execution /implementation of all other managerial functions. It involves establishing the objectives necessary for group effort; where as other managerial functions are designed to support the accomplishment of enterprise objectives. Even if planning precedes all other functions planning and controlling are inseparable by their very nature, i.e. all plans are standards and are means for controlling.

c) Planning is pervasive / universal.

This means all managers from top to bottom carryout the planning function but at different scope and depth. It is doubtful to call a person a manager if he does not plan.

d) Efficiency of plan

planning is directed towards efficiency. We can measure the efficiency of a plan by its contribution to our purpose and objectives offset by the cost and other factors required to formulate and operate it.

Plans are efficient if they achieve their purpose at a reasonable cost.

e) Planning concerns future activity.

A decision must be made as to what to do, how to do, who to do, when to do, where to do and what to achieve before it is actually done.

f) Planning and information.

Basically there is no plan without information, for a plan to exist information is necessary.

g) Planning is a means to an end.

Planning is not an end by itself, but a means to an end. It is an instrument that pushes human effort towards the achievement of objectives.

2.4. IMPORTANCE OF PLANNING

planning may be important for the following purposes in an organization.

a) To coordinate efforts.

Management exists because the work of individuals and groups in organization must be coordinated; and planning is one important technique to achieve coordinated effort. By working towards planned objectives, the behavior of each part contributes to an is compatible with goals for the entire organizing action; i.e. planning helps to focus attention on objectives.

b) To prepare for change / To offset uncertainty.

An effective plan of action allows room for change. The longer time between the completion of a plan and accomplishment of an objective, the greater the necessary to include contingency plans.

c) To develop performance standards.

Plans define expected behavior, and in management terms they are performance standards. As plans are implemented throughout an organization the objectives and course of actions assigned to each individuals and groups are the basis for standards, which can be used to asses actual performance. This facilitates control of actual performance against expected performance.

d) To develop managers.

Good planning involves the art of making difficult things simple. This requires high level of intellectual activity so that planners can be able to deal with complex, abstract ideas and information.

Planners must think systematically about the present and the future because planning

implies that managers be proactive and make things happen rather than reactive and let things happen. Through the act of planning, managers not only develop their ability to think ahead of time about the future but to the extent that their plans are effective.

2.5. CHECK YOUR PROGRESS.

Answer the questions in your notebook. Do not look into the text while writing your answer. However, at the end, refer to the text and see how many of the questions you have answered correctly.

a) Do you agree that "planning is a bridge between the present and the future"? if so, Why?
b) Discuss some of the reasons why planning is an important function of management.
c) Describe some of the characteristics of good planning.
d) Planning is a function of all mangers at any level and in all business. Do you agree? Why or why not?

2.6. PRINCIPLES OF PLANNING

A principle is a general rule of truth that may be expected to apply under similar conditions anywhere to reach or get similar outcomes. The most important/essential guiding principles of planning are the following.

a) Principle of contribution to objectives.

The purpose of every plan and all its supporting plans is to promote the accomplishment of enterprise objectives.

b) principle of efficiency of plans.

Efficiency of a plan is measured by the amount it contributes to purpose and objectives as offset by the cost required to formulate and operate it and by unsought consequences.

c) Principle of planning premises.

The more thoroughly individuals are charged with planning premises, the more coordinated enterprise planning will be.

d) Principle of strategy and policy framework.

The more strategies and policies are clearly understood and implemented in practice, the more consistent and effective will be the frame work of enterprise plans.

e) Principle of the limiting factor.

In choosing among alternatives, the more individuals recognize and solve those factors, which are limiting or critical to the attainment of the desired goal, the more

easily and accurately they can select the most favorable alternatives.

f) The commitment principle.

Logical planning should cover a period of time in the future necessary to foresee as well as pass through a series of action to the fulfillment of commitments involved in a decision made today.

g) Principle of flexibility

Building flexibility in to plans will decrease the danger of losses incurred through unexpected events; but the cost of flexibility should be weighted against its benefit.

h) Principle of navigational change

It implies reviewing plan from time to time and redrawing them if that it required by changed events and expectations. Unless plans have built – in flexibility, navigational change may be difficult or costy.

i) Principle of communication.

The making of plan by itself is not enough; it should be conveyed to all concerned parties.

j) Principle of feasibility.

Plans should not be mere wishes, but things that can allow taking action, and that are attainable or realizable. In other words, planning involves a conscious determination of expected target and projecting a course of action to meet the established target.

2.7. PROCESS OF PLANNING

The formal approach to the planning process depicted hereunder can serve as a general model which can be applied, with some modification to the planning process of any organization, whether it be large or small, profit-making or not for profit.

The following are the steps.

2.7.1. Identifying and Defining the Real Problem/Being Aware of Opportunities

This step precedes actual planning and it is not strictly part of planning. But it is the real starting point for planning.

It is a process of being aware of opportunities in light of the market, competition, what customers want, organizational strengths and weaknesses.

2.7.2. Establishing Clear –cut Objectives

Objectives specify the expected results and indicate the end points of what is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programmes. Thus, every organization has to establish its goals or objectives.

In the absence of this step, the energies of the people or the non- human resources may be wasted and may be misutilized.

2.7.3. Establishing the Planning Premises and Constraints

Premises are assumptions about the environment in which the plan is to be carried out. Knowledge of the organization's goals existing conditions provide a framework for defining which aspects of the environment will have the greatest influence on the organization's ability to achieve its objectives.

The more thoroughly individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be. Forecasting is important in premising, because the future is so complex; it would not be profitable or realistic to make assumptions about every detail of the future environment of plan.

2.7.4. Identifying Alternative Courses of Action

There is seldom a plan for which reasonable alternatives do not exist and quite often and alternative that is not obvious proves to be the best. The more common problem is not in finding alternatives, but in reducing the number of alternatives so that the most promising way to be analyzed requires the assessment of their probable consequences. Thus, the planer must usually make a preliminary examination to discover the most fruitful possibilities.

2.7.5. Evaluation of Alternative Courses of Action

Having sought out alternative courses and examined their strong and weak points, the planner must next evaluate them by weighting them in the light of premises and goals. Then an adjustment for the forecast plan if any must be made; see if the cost, time and quality requirements are satisfied and if mechanization expedites the work or the achievement of the desired end in terms of each possible course of action.

2.7.6 Choosing the Proposed Plan

Selecting the course of action is the point at which the plan is adopted- the real point of decision – making. Here one has to make sure that if the plan possesses flexibility to adjust to varying conditions, acceptance of the plan by operating personnel as well as the existing capacity of the firm and need fore new equipment, space, personnel training and supervision.

2.7.7 Arranging Detailed Sequence and Timing for the proposed plan

At this point decision will be made that support the basic plan of chosen action chosen; that is, identification of the derivative plans that support the major plan of action, the sequence of the activities necessary to accomplish the desired aim and other details required to implement the plan should be ascertained.

2.7.8 Numberizing plans by Making Budgets

After decisions are made and plans are set, the final step is to give them meaning by numberizing plans, i.e. budgeting to establish verifiable targets of achievement to facilitate controls.

2.7.9 Implementing the plan into Action

So far, all activities are related to mental and paper works. This practice/activity alone would bring about nothing to the planner. Therefore, they must be tested in action; the plans must be implemented.

2.7.10 Mointoring the Implementation

The planner/ manager should monitor/ supervise how the implementation is going on and should be certain that the plan is implemented as it was intended.

2.7.11 Evaluating the Implementation

When the planner/manager plans, he/she sets a result to be attained at a specific period of time in the future. Therefore, she/he should compare/check the actual results with the expected results. To facilitate this, proper records and sufficient reports must be collected over a reasonable period of time and must be reported to management members to measure results as well as what remedial or correcting action could be proposed if results if results indicate weakness when plans are in action.

2.8. CHECK YOUR PROGRESS. FOLLOW THE INSTRUCTIONS GIVEN IN 2.5.

a) List the factors, which you consider would limit planning.
b) Is there any relationship between the principle of flexibility and navigational change? Discus
c) Define planning premise and given an example for it.
d) How does numberizing plan help?

2.9. ELEMENTS OF PLANNING

The planning function requires managers to make decisions about four fundamental elements of plans.

2.9.1 Objectives

Objectives specify future conditions that a manger hopes to achieve.

The following are the characteristics of sound objectives.

a) Priority of objectives

This implies that a given time, accomplishing one objective is more important than accomplishing others. priority of objectives also reflects the relative important of certain objectives regardless of time.

b) Hierarchy of objectives

Objectives are arranged in hierarchy from overall company wide objectives to individual objectives.

c) Organizational objectives should be stated in writing

Objectives should be specific and communicated clearly to all so that all members of the organization are aware of what is expected from them. This eliminates ambiguity and confusion.

d) Objectives should be specific and measurable.

General objectives are difficult to interpret and measure.

e) Objectives should be realistic and attainable

Over optimistic but unrealistic objectives serve as moral deflators and hence are ineffective.

There are two objective setting approaches.

a) A Cascade Approach from Top to Lower Organizational Units.

i) The objective setting processes begin at the top with a clear and concise statement of central purpose of the organization.

ii) Long – range organizational goals are formulated for this statement.

iii) The long-range goals lead to the establishment of more short-range performance objectives for the organization.

iv) Derivative objectives are then developed for each major division or department.

v) Objectives are then established for the various sub units in each major division.

vi) The process continues down through the organizational hierarchy.

b) Management by Objectives (MBO)

It is a system of management whereby managers work in conjunction with subordinates to identify goals and make plans for achieving them. MBO involves the following four steps.

i) The manager explains the rationale and methodology of MBO to subordinates.

ii) The superior and subordinate meet to set objectives for the coming plan period.

iii) One or more intermediate review of performance are conducted to determine if the individual is making satisfactory progress towards attaining the established goals.

iv) At the conclusion of the time period set for the achievement of the objectives, a final review is conducted. in the review the manager should attempt to determine "what went wrong?" "What went right?"

2.9.2 Course of Action

Course of action are the means or specific activities planned to achieve the objectives. Eg. if increasing productivity is the objective of the organization, the alternative course of action would be: improve technology, employee training, management training, improved work conditions, etc.

Managers should select the least costy but the most effective strategy, policies, procedures, programs, rules, budgets and projects which are part of the action.

2.9.3 Resources

The third phase in the planning function is budgeting resources for each important plan. Shortage of resources could be constraints on the course of actions, and therefore planning should be based on available resources.

2.9.4 Implementation of Plans

Implementation involves the assignment and direction of personnel to carry out the plan. Authority and enabling employees to understand and accept organization policy are the manager's means of implementing plans.

2.10 Types of Plans

plans can be classified on the bases of different factors:

2.10.1 Plans Based on Formality/Status

a) Informal Plans – are unwritten plans which are made in the daily life of individuals.
b) Formal Plans – are written, documented plans developed through an identifiable process.

2.10.2 Plans Based on Scope/Breadth Dimension.

These types of plans refer to the level of management; i.e. they are related to the hierarchy of plans at the three levels of management. Therefore, based on where (in the organization's hierarchy of management) the plans are formulated, determines the classification of the plans into: strategic plans, tactical (intermediate) plans, and operational plans.

a) Strategic Plans:-

Strategic plans are defined as plans that determine the major objectives of an organization and the policies and strategies designed by top-level management to govern the acquisition, use and disposition of resources to achieve organizational objectives.

The following are distinguishing characteristics of strategic plans.

i) Strategic plans require looking outside of the organization at the external environment of the organization for threats and opportunities.

ii) They take longer period of time.

iii) They tend to top management responsibility

iv) They address such issues as:

- How to allocate resources;
- What the business is and what it should be.

The above three types of plans can be summarized as indicated in the following table.

Types of plan	Scope	Level of Management	Time	Detailed ness
Strategic plan	Wide	TLM*	More than 5 years	Less
Tactical Plan	Medium	MLM*	1 to 5 Years	Medium
Operational plan	Narrow	LLM*	Less than 1 Year	More

- TLM=Top Level management;
- MLM=Middle Level Management
- LLM=Lower Level Management

b) Tactical Plans:-

Tactical plans are the means to achieve strategic plans and their usual span is one year. They usually center on translating the broad objectives set by top-level management into more specific goals.

c) Operational Plans:-

Operational plans are concerned with the day-to-day activities of the organization and are made and/or developed by lower level managers.

2.10.3. Plans Based on Time Dimension

These plans show how long they stay in operation. Based on time frame or length of them, we can classify plans into three; these are

a) Long- term Plans:- These plans establish long-term goals and work out strategies, policies and programs to achieve the goals. They extend beyond five years.
b) Medium-term Plans:- These plans are usually made to support long-term plans. They cover a period of more than one year, but less than five years. Here the length of time may vary from one business to another depending on the nature, risk and other factors.
c) Short –term Plans:- Generally such types of plans are made to achieve short-term goal and are instrumental in implementing long-term plans.

These plans are action –oriented and the responsibility of lower level managers.

2.10.4. Plans Based on Use Dimensions

Use-based plans indicate whether we can use the plans repeatedly for uniformity or for a single period. Based on use dimension, plans could be further classified in to single-use plans and standing use plans let us see each one by one.

a) Single- Use Plans:- These types of plans focus on relatively unique situations within the organization and are used only once. These plans can be subdivided into:

i) **Programs**: programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. They are ordinarily supported by budgets. A primary program may call for many supporting programs.

Eg. The Ethiopian airlines may have a major program of acquiring a $ 500 million fleet of jets within a period of two years.

ii) projects: A project is a small and separate portion of a plan. Each project has limited scope and distinct directives concerning assignments and time. Projects are characterized by the following

i) They are a one-time activity or a unit activity with a well-defined set of desired end results.

ii) They can be accomplished in order to achieve the project goals.

iii) A project must often be coordinated with other projects being carried out by the same parent organization.

iii) Budget: Budgeting is the formulation of plans for given future period in numerical or financial terms. A budget is a financial plan outlining how funds will be spent in a given period of time and how these funds will be obtained. Budgets have to be based on past experience present realities and an accurate assessment of future events.

b) Standing –Use Plans:- These are plans which remain roughly the same for a long period of time and are used in organizational situations that occur repeatedly. The most common kinds of standing plans are:

i) Policies: Policies are broad and general guides to action that constrains or direct and facilitate objective attainment. They do not tell organizational members exactly what to do but they do establish the boundaries within which they must operate and ensure that decision will be consistent with and contribute to an objective. Policy is a general statement or understanding which guides or channels thinking in decision making.

Requirements for a sound policy.

- They should be consistent with strategies and objectives.
- They should be renewed frequently and amended as needed.
- Policies should be in writing.
  - Written policies are more precise than unwritten ones.
  - They can be transmitted quickly to those who must implement them.
  - Written policies are easier to understand and less time-consuming to communicate to new mangers and management trainees.

Advantages of policies

- Policies help to save time.
- Policies help to prevent managerial mistakes.
- Policies help to improve the consistency of managerial performance.

ii) Procedures: A procedure is a series of related steps or tasks expressed in chronological order for a specific purpose. Procedures are defined in step-by-step fashion through which policies are achieved. They are guides to action rather than to thinking and they give the details of the exact manner in which certain activities must be accomplished.

The following are some of the requirements for sound procedures.

- Procedures should be simple enough to be understood by those who implement them.
- They should be in writing
- They should be tested prior to full adoption.
- They should be well communicated so that they may be thoroughly understood by those who are required to follow them.

iii) **Rules**: Rules are statements that a specific action must or must not be taken in a given situation. rules leave little doubt about what is to be done. They permit no flexibility and deviation. Unlike procedures, rules do not have to specify sequence. Procedures and rules are subsets of policies.

Example of rule:

Employee must wear safety clothes and equipment white operating their machines.

2.11 CHECK YOUR PROGRESS. FOLLOW THE INSTRUCTIONS GIVEN IN 2.5

a) Discuss the basic elements of planning
b) How important is strategic planning? Is long range planning that extends for more than 5 years necessary in this dynamic and ever changing environment?
c) Explain in detail the following concepts:
    - Policies

- Procedures
- Rules
- Programs
- Budgets

2.12 Limitations of Plans

Though planning function is a primary function of management and it facilitates other functions of management, it suffers from certain limitations. Most of the limitations are related to the uncertainties of the future. Planning should be based on reliable information about the future. If reliable information is not available, planning loses its importance. Here the controversy is not on planning or not planning; but on the context of planning techniques. Planning is a must for every organization because unplanned operations produce chaos and disorder universally without any exception.

Major planning limitations are classified into two categories.

2.12.1. Internal Inflexibilities

Internal inflexibilities are those that exist with in an organization. Major internal inflexibilities than may limit planning are related to human psychology, policies and procedures and capital investment.

a) Psychological inflexibility

Managers and employees in an organization may develop patterns of thought and behavior that may be hard to change. Mangers instituting a new plan are often frustrated solely by the unwillingness or inability of people to accept change. Therefore, it requires patient selling of ideas, careful spreading of information, aggressive and intentional development of a tradition of change among the members of the organization.

b) Policy and Procedural inflexibility

Closely allied to psychological inflexibilities are those internal rigidities that are built into policies and procedures. Once established policies and procedures become ingrained in an enterprise and changing becomes difficult. This problem is common in most organizations as they get older.

They develop procedures that seem to work; people get accustomed to them and cling to old ways even after new situations arise new people are trained in old ways and almost explosive forces may be required to effect changes. One of the most convincing evidences of bureaucracy whether in business or government is the existence of complicated procedures designed to avoid mistakes.

Effective planning requires an environment of change, with some reasonable degree of freedom and willingness to assume the risks of mistakes. This cannot happen in an enterprise bound by the strait jacket of inflexible policies and procedures.

c) Capital Investment

In most cases, once money is invested in a fixed asset the ability to switch courses of future action becomes rather limited and the investment itself becomes a planning premise. Inflexibilities also exist where investment sunk in items other than what are normally regarded as fixed assets. An investment in training of a particular kind or in building up a certain customer reaction product-through advertising, packing or otherwise may become a fixed asset.

Unless an organization can reasonably liquidate its investment or change its course of action or unless it can afford to write off the investment, these conditions may block the way of change.

2.12.2. External or Imposed Inflexibilities

These inflexibilities usually emerge from sources outside of the organization.

Some of the major external inflexibilities include:

a) Political Climate

Every enterprise, to a greater or lesser degree is faced with the inflexibilities of the political climate existing at a given time. If the local government or the state activity regulates business, managers must take this into account in planning.

b) Labor Unions

The existence of strong unions, particularly those organized on a national basis, tends to restrict in planning. The numerous wage and working condition provisions of unions contracts and the influence of union policies on employee productivity and attitudes must be taken into account. In addition to being important governmental influences, they often give rise to

definite inflexibilities. But this trend is less in socialist socio-economic formation because of the nature or form of ownership (social ownership of property).

c) Technological Change

The role and nature of technology change also present very definite external limitations up on planning. There are perhaps few things as unyielding as the state of technological development at a given time. At any given time the status of technological progress is relatively inflexible.

d) Sociological and Cultural Factors

The important sociological and cultural factors which are relevant in relation to the enterprise include inter-organizational and individual cooperation or conflict. Class structure and labor mobility, view towards authority, responsibility and delegation, view towards change and risk taking, etc. are also some of the inflexibilities that restrict the freedom of planning.

e) Educational Variables

Under this factor the important conditions that tend to restrict the scope of planning include, literacy level and attitude towards education, type of education, scope of the education, educational match with the skill requirements of industry and manpower utilization, etc.

2.13. THE DECISION –MAKING PROCESS

Decision-making can be defined as a solution selected after examining several alternatives chosen because the decider foresees that the course of action he selects will be more than others to further his goals and will be accompanied by the fewest possible objectionable consequences. It is a process including information, choice of alternative actions, implementation and evaluation that is directed to the achievement of certain stated goals.

Decision making is:

a) a selection process;
b) the end process;
c) the application of intellectual abilities to a great extent;
d) a dynamic process;
e) situational; and
f) taken to achieve the objectives of an organization

Decision-making includes the evaluation of available alternatives through critical appraisal methods. A decision may be both negative or positive. A decision may direct others to do or not to do something.

Decision making is an integral part of human life, because one has to decide in his daily life what to do, where to do, when to do, etc. Managers should also make decisions while planning, organizing, staffing, directing and controlling.

Effective decision-making requires a rational selection of a course of action. Managers' goals can be reached under existing circumstances and limitations. They must also have the information and the ability to analyze and evaluate alternatives in the light of the goal sought. And finally, they must have a desire to come to the best solution by selecting the alternative that most effectively satisfies goal attainment. Thus, rationality implies making decisions based on facts, experience, experimentation or research and analysis with distinct procedures. The following is a simple process followed in making decision in normal situations.

2.13.1. Ascertain the Need for a Decision

The decision making process begins by determining / identifying a problem. Problem arises due to difference between what is and what should be. So the manager should

define what the problem is. Then, the manager should find the causes of a problem. A well-defined problem is half solved.

2.13.2 Establish Decision Criteria

Once the need for a decision has been determined, there comes the need to establish decision criteria which requires identifying those characteristics that are important in making the decision.

2.13.3 Allocate Weights to Criteria

The list of criteria must now be prioritized. Since some are obviously more important than others, there is a need to weight each criteria to reflect its importance in the decision.

2.13.4 Develop Alternatives

This includes developing a list of alternatives that may be viable in dealing with the stated problem. Creative thinking is necessary to develop or discover many alternative courses of action. If there is no alternative, there is no need of deciding. It is advisable to the manager that he should discover a number of alternatives. The problem of limiting factors is also considered by the manager.

Some alternatives cannot be selected due to limiting factors. Time and cost are the probable limiting factors of an organization.

2.13. 5 Evaluate Alternatives

The strengths and weaknesses of each alternative will become evident as they are compared against the criteria and weights established.

As we compare alternative courses of actions to achieve objectives, we should consider both quantitative factors and intangible or qualitative factors. To evaluate and compare qualitative factors, one should first recognize them and determine whether a reasonable quantitative measurement can be given to them. If not, one should try to find out as much as possible about them, perhaps rate them in terms of their importance, compare their probable influence with the results disclosed from evaluation of the quantitative factors, and then come to decision. Such a procedure is in effect, deciding up on the weight of the total evidence.

Tangible factors include profits earned, time taken, money invested, rate of returns on investment, rate of depreciation, etc.

Intangible factors include public relations, good will of the company, locality of employees, quality of labor relations, the risk of technological changes, the international political climate, etc.

Peter. F. Drucker has suggested the following criteria to evaluate the available alternative courses of action:

a) Risk- Degree of risks are include in each alternative
b) Economy of efforts- Cost, time and efforts are included in each alternative.
c) Timing or situation –Whether the problem is urgent has to be considered.
d) Limitations or resources – Physical, financial and human resources available in the organization need consideration.

2.13.6 Select the Best Alternative

The decision maker can select the best alternative after careful evaluation an alternative which gives maximum benefits to the organization is selected. At the same time, the selected alternative should fit with the organizational objectives. The following approaches may be adopted while selecting an alternative.

a) Experience: Select an alternative on the basis of past experience. Past decisions may be rationally amended to suit the present situation, because situations change.
b) Experimentation: Each alternative is put into practice and the results are observed under this approach. An alternative which gives best results will be selected. The approach which is expensive and time consuming, should be used rarely.
c) Research and Analysis: This approach is also rarely adopted.

2.13.7 Putting Decision into Action

The future course of action is scheduled on the basis of selected alternative or decision. Here, the manager has to consider the policy of management. The decision is communicated to concerned persons. This communication facilitates easy implementation of decision. The language of decision should be simple and easily understandable.

Next, the manager has to implement the decision to achieve desired goals. Decision making process comes to an end with the actual implementation of the decision.

2.13.8 Following Decisions

It is the duty of every manger to see whether the decision is properly implemented or not. The selected alternative may be ill-chosen on (due to many reasons) and might cause loss to the organization. This can be measured with the help of verifying the decision with the actual performance. If the manger feels that the selected alternative is not the best one, and amendment may be made to achieve desired goals.

These six main steps and the two additional steps in decision-making, of course, represent a simplification of the process.

2.14 Summary

Planning has been defined previously as one of the fine major functions of management. However, since planning is a bridge between the present and future, it has been called the primary management function.

Planning is a future oriented and determines on organizations direction. It is a rational and systematic way of making decision today that will affect the future of the company. It involves the predicting of the future as well as attempting to control the event. It also involves the ability to foresee the effects of current action in the long future.

An effective planning programme incorporates the effect of both external as well as internal factors the external factors are shortages of resources, both capital and material, dynamic technological advancement, government regulation etc. the internal factors that affect planning are limited growth opportunities due to saturation, changing pattern of work force, more complex organizational structure, decentralization etc…

Even though planning and plans are so important to organizational success, a recent study revealed that most mangers are very reluctant to actively participate in the planning process. Sometimes, even top mangers show likewise support for the process thus serving as poor role models for lower management. Planning should be an integral part of the

organizational routine and not as a special activity that would severely test a manager's skill and ability.

2.15 MODEL QUESTIONS

In answering the following questions

a) Define the following
    i) Planning
    ii) MBO
    iii) Objectives
    iv) Policies

v) Procedures

vi) Programs

vii) Project

viii) Procedure

ix) Rule

x) Strategies

xi) Budget

b) List and describe the characteristic of planning

c) Write short notes regarding any 3 principles of planning.

d) What are the two basic approaches to set objectives?

e) Identify the steps in the planning process.

f) Identify at least two advantages of policies

g) What are the characteristics of a sound objective?

h) What are the requirements for a sound policy?

i) What does decision making mean?

j) Write a short note on the limitations of planning.

k) What are the four elements of planning?

l) Resistance to change is considered to be one of the major problems in implementing any plan. What are the possible causes for this resistance and how can this be overcome?

2.16 Answers to check your progress and model questions

2.5

a) refer to 2.3 (e)

b) refer to 2.4

c) refer to 2.3

d) refer to 2.3 (c)

2.8

a) refer to 2.7.1

b) refer to 2.6 (f&g)

c) refer to 2.7.3

d) refer to 2 .7.8

2.11

a) refer to 2.9

b) refer to 2.19.2. (a)

c) refer to 2.10.4

Model questions

a) I) refer to 2.2

ii) refer to 2.9.1 (9)

iii) refer to 2.9.1

For iv, v, vi, vii, ix, x & xi refer 2.10.4

b) refer to 2.3

c) refer to 2.6

d) refer to 2.9.1

e) refer to 2.7

f) refer to 2.10.4

g) refer to 2.91

h) refer to 2.10.4

i) refer to 2.13

j) refer to 2.12

k) refer to 2.9

m) refer to 2.12