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BUSINESS ORGANISATION AND MANAGEMENT – I

UNIT 2 PLANNING & DECISION MAKING

PLANNING:

- Meaning and Definition
- Features
- Importance
- Limitation
- Types/Elements of plans
- Steps in Planning Process

Decision Making:

- Meaning
- Characteristics
- Steps in Decision Making Process
- Types of Decision.

PLANNING

INTRODUCTION

Planning is essential in every walk of life. Each and every person has to frame a plan to proceed in his schemes. A person whether he is engaged in business or not, has framed a number of plans during his life.
Planning is the process of thinking about the activities required to achieve a desired goal. It is the first and foremost activity to achieve desired results. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills. There are even a couple of tests to measure someone's capability of planning well. As such, planning is a fundamental property of intelligent behaviour.

MEANING

Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the pre- determined objectives of the organisation in future. Planning involves forecasting because in order to plan the future course of action, it is essential to anticipate the future. Planning consists of both problem- solving and decision- making. It requires determination of objectives and the ways of reaching them.

DEFINITION

Koontz and O'Donnel, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go."

Allen, "A plan is a trap laid to capture the future."

Kast and Rosenzweig, "A plan is a determined course of action."

H.Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals."

J.P. Barger, "Planning is an ability to visualize a future process and its results"

W.H. Newman, "Generally speaking, planning is deciding in advance what is to be done, that is, a plan is a projected course of action."

Hamilton Church, "Planning is, in essence, the exercise of foresight."

Hodge and Johnson, "Planning is an attempt to anticipate the future in order to achieve better performance."

Hart, "Planning is the determination in advance of a line of action by which certain results are to be achieved."

FEATURES

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

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

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

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

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

6. Planning Involves Choice:
Planning essentially involves choice among various alternative courses of action. If there is one way of doing something, there is no need for

planning. The need for planning arises only when alternatives are available.

7. Planning is Forward Looking:

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

8. Planning is Flexible:

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

9. Planning is an Integrated Process:

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

10. Planning Includes Efficiency and Effectiveness Dimensions:

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

IMPORTANCE

Planning is an important and basic function of management. Orderly procedure is possible through planning. Planning states the way through which the objectives are achieved and anticipates the activities well in advance i.e., planning should take place before doing.

According to George R. Terry, "Planning is basic to the other fundamental management functions, that is organizing, actuating and controlling. Without the activities determined by planning, there would be nothing to organize, no one to actuate, and no need to control. This viewpoint stresses the importance of planning in the management process."

Defective planning and inadequate planning leads to failure of the organisation. Everybody knows that no activity could be performed in an organisation without planning. Proper planning coordinates the activities of different sections of people working in an organisation. According to Earnest C. Miller, "Managerial planning attempts to achieve a consistent, co-ordinated structure of operation focused on desired ends. Without plans, action must become merely random activity, producing nothing but chaos."

The business unit has to work in uncertain and ever changing conditions. It is very difficult to continue the business under such situations. Effective planning can anticipate the uncertain events and help prepare the workforce to meet the situation to survive. George R. Terry has rightly said that, "Planning is the foundation of most successful actions of any enterprise."

Planning helps the businessman get early success. Success without planning is almost impossible in business. So, the planning function is very important due to the following reasons:

1. **To manage by objectives:** All the activities of an organisation are designed to achieve the framed objectives. However, planning makes the organisation focus on the objectives for early achievement.

2. **Convert uncertainty into certainty:** Future is full of uncertainties. These uncertainties may be predicted through forecasting. Then, the planning provides necessary provision to face the uncertainties. Besides, planning evaluates the alternative course of action for the continuous growth and prosperity of the organisation.

3. **Economy in operation:** Planning selects anyone of the available alternatives which will help produce the best results at minimum costs.

4. **Help in co-ordination:** The co-ordination is obtained by the management through planning, well-published policies, programmes and procedures. So, planning also helps the management get co-ordination. According to Koontz and O'Donnell, "Plans are selected courses along which the management desires to co-ordinate group action."

5. **Tackling increasing complexities of business:** At present, there is need for many people with different qualifications to run a business. This makes it necessary for the management to plan the business

activities clearly as to who is to do, what is to be done, where is to be done, when it is to be and how it is to be done.

6. **Effective Control:** Control is necessary only when there is a deviation in the actual performance from the planned performance. In the absence of a plan, there are no standards to compare. In simple words, planning without control are useless and control without planning is impossible. H.G. Hicks has said that, "Planning is clearly a prerequisite for effective controlling. It is utterly foolish to think that controlling could be accomplished without planning; without planning there is no predetermined understanding of the desired performance. "

7. **Effective utilisation of resources:** Planning involves deciding in advance of the business activities. Then, the business activities are completed without any delay. It leads to effective utilisation of resources at the cheapest and in the best manner.

8. **Avoiding business failures:** Planning includes the selection of best objectivities, conversion of uncertainty into certainty, economy in operation, co-ordination, facing the complexities, effective control and effective utilisation of resources and avoiding business failures.

LIMITATION

Though planning function is a primary function of management and it facilitates other functions of management, it suffers from certain limitations.

1. **Inflexibility:** The more detailed and widespread the plans are, the greater inflexibility they are. This inflexibility arises an account of the philosophy of management. If the management has the philosophy of production of high quality goods at high cost, it may be difficult for them to plan for a cheaper quality product.

2. **Limitation of forecasts:** Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

3. **Unsuitability:** In planning, objectives, policies, procedures etc. are set after careful investigation of all the relevant factors. But in practice, business is facing new opportunities and challenges by nature. So, there is a need for modernisation of alteration of such framed objectives and policies in the light of new opportunities and challenges. Hence, planning is unsuitable.

4. **Time consuming:** The management cannot prepare any plan simply. It has to collect various information and hold discussions with others. So, planning is a time consuming process.

5. **Costly:** Planning is preceded with collection of necessary information, careful analysis and interpretation of various courses of action, selection of the best one among them. This work cannot be completed without incurring any expenses. At the same time, there is no guarantee of getting any benefits from such planning. So, planning process is a costly one.

6. **Mental ability:** Planning is a mental exercise. The most careful planning is made only by an able and skilful manager. If the executives or managers do not have such ability, there will be no effective planning. According to George A. Steiner, "Planning is hard work. It requires a high level of imagination, analytical ability, creativity and fortitude to choose and become committed. Management must exert pressure to demand the best efforts in managers and the staff. Both the talents required are limited and the maintenance of high quality planning is difficult to achieve.

7. **False sense of security:** Future is uncertainty. Planning is concerned with future. The management people think that there is security, if planning is properly adhered to. But, this is not true in practice. So, the course of action is limited and planning becomes precise. This difficulty makes the management have a false sense of security.

8. **Delay during emergency period:** Planning does not give any benefits to an organisation during the emergency period. Spot decision dominates the planning. If planning is followed during the emergency period, there will be a possibility of delay in performing the work.

9. **Capital investment:** If sizeable amounts are invested in fixed assets, the ability to change future course of action will be limited and planning will become precise. This difficulty continues upto the liquidation of investments or it creates a necessity to write off the investment.

10. **Political climate:** Government can change its attitudes according to the changes of the political climate. Taxation policy, regulation of business and finances through financial institutions are generating constraints on the organisational planning process.

11. **Trade Unions:** The freedom of planning is restricted through the organisation of trade unions at national level. Trade unions can interfere in the management activities on work rule, fixation of wages, productivity and associated benefits. Hence, managers are not free to take decisions in this area to some extent.

12. **Technological changes:** When there is a change in technology, the management has to face number of problems. The problems may be high cost of production, competition in the market etc. The management is not in a position to change its policies according to technology changes. It will affect the planning.

TYPES/ELEMENTS OF PLANS

The types are:

1. Objectives
2. Policies
3. Rules
4. Procedure
5. Programme
6. Schedules
7. Budget
8. Forecasting**.**

1. Objectives:

Objectives are plans for the future that will serve to provide direction for subsequent activity. We have a hierarchy of objectives. Primary or basic objectives are determined by the top management. Each department has its own objectives within the framework of basic goals.

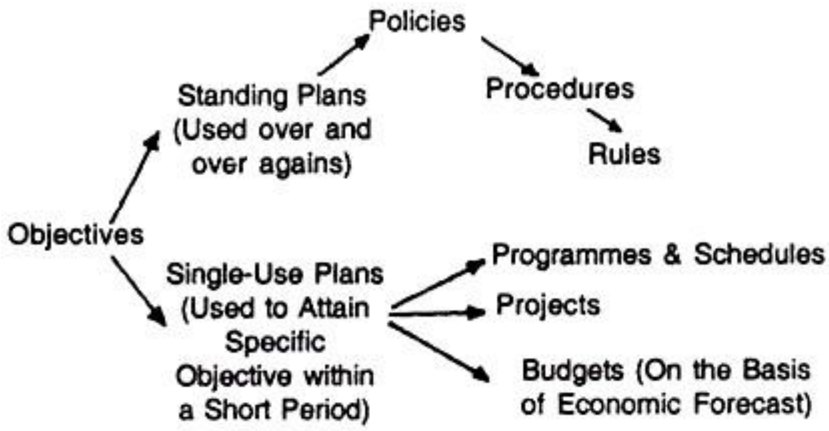

Fig. 1. Relationship of Standing Plans to Single Use Plans

2. Policies:

A policy is a standing plan or answer to recurring questions. It is a continuing decision which applies to repetitive situations. It is a guide to action or decision of a manager. A policy helps keep work in line with objective. Policies are directives providing continuous framework for executive actions on recurrent managerial problems. Policies take the form of general statements to lead managerial activity through proper channel towards the objective. For instance, a firm has a policy of promotion from within.

If a vacancy arises, naturally the first preference is given to existing employees if they meet the job requirements. A policy assists decision making. But deviations may be needed, of course, as exceptions and under some extraordinary circumstances. In other words, there is a limited scope for discretion in dishonouring a policy.

3. Rules:

Rules are the simplest type of plan chosen from alternatives. A rule requires that a specific action be taken or not taken with respect to a situation. It is more rigid and more specific than a policy. It guides action but provides no discretion in its strict application.

Of course, rules are essential for discipline and smooth operations of the business. No smoking rule in a factory is applicable to all including the top executives. A rule is designed to define in advance, what alternative must be selected, or what decision must be made. In effect it dictates the way an activity is to be (or is not to be) done. A rule is related to procedure.

4. Procedure:
It is a standing plan acting as a means of implementing a policy. For example the sales department lays down a policy to execute all orders within 48 hours. The procedure of execution of orders will prescribe a sequence of steps that must be followed after the receipt of an order till the dispatch of goods to the customer.

These chronological series of steps or tasks constitute a procedure. A procedure lays down the manner or method by which work is to be performed in a standard and uniform way.

Once a procedure is established, it ensures uniformly high level of performance. It results in work simplification and eliminates overlap or duplication of efforts. Policy guides thinking and action, whereas procedure guides action only to fulfil the objectives.

5. Programme:
It is a single use plan. It is a sequence of activities designed to implement policies and accomplish objectives. It gives step-by step approach to guide action necessary to reach predetermined targets. It is an instrument of co-ordination, i. e., a timetable of action. A good programme ensures smooth and efficient operation. A procedure tells how it is to be done, whereas a programme tells what is to be done.

It enables a manager to prepare carefully and systematically for difficulties, before they arise. We have detailed programmes of personal selling advertising, and sales promotion in our marketing campaign to accomplish the set goals in sales and to reach the particular market.

6. Schedules:
Scheduling is the process of establishing time sequence of the work to be done. It is an integral part of programming. A schedule specifies the time when each of a series of actions should take place. Once the tasks to be

done and the persons who must do them are clear according to our standing plans, scheduling may be the only element needing immediate management attention.

7. Budget:

A budget is a projection (and a plan) defining anticipated costs of attaining an objective. It is an appraisal of expected expense against anticipated income or a future period. It may be stated in time, materials, money or other units required to perform work and secure specified result.

Since most values are denoted in money, we have usually money budgets. E budget is a type of plan. It is also used as a control device. However, the budget begins as a forecast and therefore, requires planning.

The master budget of the company is a formal expression of plans, objectives and goals prescribed by the top management in advance for the enterprise as a whole. We also have budget for each subdivision of the enterprise. It indicates the amount of money to be spent for…. by each department.

8. Forecasting:

We have three types of forecasting:

a. Extrapolation,

b. Economic forecasting, and

c. Marketing research.

Forecasting is based on statistical data and marketing research. Economic forecasting is the basis of planning. Forecasting is a systematic attempt to probe the future on the basis of known information. Planning decisions are based upon intelligent and rational forecasting the future trend of specified events, e.g., price trend.

STEPS IN PLANNING PROCESS

The planning process is different from one plan to another and one organisation to another. Given below is a planning process which may be treated as commonly acceptable.

1. Analysis of External Environment: It is necessary to consider the external environment of an organisation. The term external environment includes socio-economic conditions and political conditions prevailing in a country. Socio-economic condition refers to classification of society on the basis of income, age, class, living conditions, aspirations, expectations and the like. These factors are not controllable ones. But, every organisation has to prepare the plan according to the changing trends in the external environment.

2. Analysis of internal environment: It can be otherwise called as Resource audit. Resource audit means an analysis of the strength and weaknesses of an organisation. Due consideration is made on the availability of resources, profitability, plant capacity, available manpower, communication effectiveness and the like.

3. Determination of objectives: The objectives of an organisation are pre-planned. Objectives specify the results expected. Once the organisation's objectives are determined, the section-wise or department-wise objectives are planned at the lower level. Defining the objectives of every department is a very essential one; then only clear-cut direction is available to the departments. Control process is very easy if the objectives are clearly defined.

4. Determining planning premises and constraints: Planning is forward looking. Therefore, planning is based on forecasting. Forecasting means the assumption of and the anticipation of certain events. It implies a calculation of how certain factors will behave in future. The planning must consider the likely behaviour of these factors. In this sense, these constitute the planning premises.

5. Examination of alternative courses of action: An action may be performed in many ways but a particular way is most suitable to the organisation. Hence, the management should find alternative ways and examine them in the light of planning premises. According to Koontz and O'Donnell, "There is seldom a plan made for which reasonable alternatives do not exist. Moreover, before weighing alternatives and reaching a decision, one is wise to search for alternatives that may not be immediately apparent. Quite often an alternative does not immediately prove to be the most profitable way of undertaking a plan."

6. Weighing alternative course of action: All the alternatives are not suitable to an organisation. Each alternative has its own strong and weak points. So, there is a need for weighing all the alternatives to determine the best alternative.

7. Selection of the best alternative course of action: The selection of the best alternative is based on the weighing of various alternatives. A course of action is determined according to the circumstances prevailing. No partiality is shown while selecting the best alternative.

8. Establishing the sequence of activities: The determined course of action is adopted for each section or department, product, for a quarter, month, week, etc. Finally, the manager should draft a final plan in definite terms.

9. Formulation of action programmes: The term action programme includes fixing time limit for performance, allocation of work to individuals and work schedule. These are necessary to achieve the objectives within the specified period.

10. Determining secondary plans: Secondary plans flow from the primary or basic plan. The preparation of a secondary plan is necessary to expedite the achievement of the basic plan. For example, once a basic plan of sales is decided upon, a number of secondary plans could be prepared. Here, the secondary plan includes production schedule, purchase of plant and machinery, purchase of raw materials, consumable stores, selection, training and placement of personnel and the like.

11. Securing participation of employees: The successful execution of any plan depends upon the extent of participation of employees. So, the management should involve employees in planning through communication, consultation and participation.

12. Follow-up and evaluation: There should be a system of follow-up. The management should watch how the planning is being done. The shortcomings of planning can be identified through a follow-up action and rectified then and there. The continuous evaluation of planning is also necessary. It means that the actual performance is compared with the planning and then corrective action is taken if there is any deviation.

DECISION MAKING

INTRODUCTION

Decision-making is also one of the functions of the management. The management executive takes a number of decisions every day. They are not able to discharge their duties without taking any decisions. A decision may be a direction to others to do or not to do. Thus, a decision may be rational or irrational. There are a number of alternatives available to the management. The best one is selected out of the available alternatives.

Best decision-making is necessary for effective functioning of management. The success of management depends upon the quality of decision. If the manager fails to take correct decision, he may not extract any work from his sub-ordinates and may not find a way to finish his work also. Some of the decisions are taken emotionally. This should be avoided with great care. Emotional decision leads to a lot of confusion. So, the decision-making is an important work of the superiors.

DEFINITION

Manely H. Jones, "It is a solution selected after examining several alternatives chosen because the decider foresees that the course of action he elects will be more than the others to further his goals and will be accompanied by the fewest possible objectionable consequences. "

Andrew Smilagyi, "Decision-making is a process involving information, choice of alternative actions, implementations, and evaluation that is directed to the achievement of certain stated goals."

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

John MacDonald, "The business executive is by profession a decision-maker. Uncertainty is his opponent, overcoming it is his mission. Whether the outcome is a consequence of luck or wisdom, the moment of decision-making is without doubt the most creative event in the life of the executive."

D.E. Mc Farland, "A decision is an act of choice wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a behaviour chosen from a number of possible alternatives."

Henry Sisk and Clifston Williams, "A decision is the selection of a course of action from two or more alternatives; the decision-making process is a sequence of steps leading to that selection."

Shull-et-al, "Decision-making is a conscious and human process, involving both individual and social phenomenon based upon factual and value premises, which concludes with a choice of one behavioural activity from among one or more alternatives with the intention of moving towards some desired state of affairs."

Mary Cushing Nites, "Decision-making takes place in adopting the objectives and choosing the means and again when a change in the situation creates a necessity for adjustments"

R.S. Davar, "Decision-making may be defined as the selection based on some criteria of one behaviour alternative from two or more possible alternatives."

CHARACTERISTICS

The following are the characteristics of decision-making:

1. Decision-making is a selection process. The best alternative is selected out of many available alternatives. If there is only one alternative, there is no decision-making.
2. Decision-making is the end process. Decision-making is preceded by detailed discussion and selection of alternatives.
3. Decision-making is the application of intellectual abilities to a great extent. An intelligent man alone can take a good decision.
4. Decision gives happiness to an endeavour who takes various steps to collect all the information which is likely to affect a decision.
5. Decision-making is a dynamic process. An individual takes a number of decisions each day.
6. Decision-making is situational. An individual takes decision according to the situations prevailing. Different decisions may be taken to solve the same problem. The reason is that the situation is changed from time to time.
7. Decision is taken to achieve the objectives of an organisation.

8. Decision-maker has the freedom to take a decision which involves the using of resources in specified ways.
9. Decision-making involves the evaluation of available alternatives through critical appraisal methods.
10. A decision may be both negative or positive. A decision may direct others to do or not to do.

STEPS IN DECISION MAKING PROCESS

Decision-making is not an easy job. It requires a lot of skill. A decision-making is affected by a number of factors. So, the manager can take good decisions by adopting a procedure.

A manager may not be able to take good decisions if he fails to follow a sequential set of steps. The decisions-making process depends upon the nature of problem and the nature of organisation. The following is the simple process followed in taking a decision in normal situations:

1. **Identification of a problem:** Identification of a problem means recognition of a problem. Problem arises due to difference between what is and what should be. The changes of business environment form the main reason for creating of a problem. So, the manager should define what the problem is. A well defined problem is half solved. Then, the manager should find the causes of a problem. This is not an easy job. Finding of causes of a problem is used to take quality decision. The manager should continuously watch the decision-making environment and understand the real problem and its causes.

   The manager may look into the management reports, find deviations from budget if any, compare the company's results with the competitor's results and efficiency of employees etc. These are used to identify the problem correctly. Here, the manager has to use his experience, imagination and judgement in order to find out the real nature of the problem.

2. **Diagnosing the problem:** There is a slight difference between problem identification and diagnosing the problem. A doctor can diagnose the disease of a patient. A patient cannot find out what is the real disease. But, a doctor can do so with the information given by a patient. Information is very useful to the doctor. In management, the manager is acting as a doctor while diagnosing the problem.

3. **Collect and analyse the relevant information:** The next step is that required at various levels information should be collected by the manager. Then, the manager has to study the information with great care. It is very useful to analyse the problem from different angles. If the problem is analysed from different angles, a quality and quick decision may be taken by the manager. The manager should see that only relevant information alone is collected and analysed.

4. **Discovery of alternative course of action:** Creative thinking is necessary to develop or discover many alternative courses of action. If there is no alternative, there is no need of taking a decision. If there are more and more of alternatives, the manager will have more freedom to take a decision. A problem can be solved in many ways. At the same time, a solved problem should not arise again in the future.

   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 organisation.

5. **Analysing the alternatives:** Next, the pros and cons of available alternatives are analysed. Some alternatives offer maximum benefits than others. An alternative is compared with other alternatives. The decision maker can prepare a list of limits for each alternative.

6. **Screening of alternatives:** The available alternatives are screened in the order of maximum benefits derived from them. Each alternative is evaluated in terms of risks involved in implementing them. Both tangible and intangible factors are considered while evaluating or screening each alternative.

   Tangible factors include profits earned, time taken, money invested, rate of returns on investment, rate of depreciation etc. Intangible factors include public relations, goodwill of the company, loyalty of employees etc. Sometimes, two or more alternatives are equally suitable by nature. The decision-maker should find the actual difference of alternatives which will be the deciding factor to select an alternative.

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

(a) Risk - Degree of risks involved in each alternative.
(b) Economy of efforts - Cost, time and efforts involved in each alternative.
(c) Timing or situation - Whether the problem is urgent.
(d) Limitations of resources - Physical, financial and human resources available with the organisation.

7. **Selection of best alternative:** Now, the decision maker can select the best alternative after careful evaluation. An alternative which gives maximum benefits to the organisation is selected. At the same time, the selected alternative should fit with the organisational objectives. The following approaches may be adopted while selecting an alternative.
   A. Experience: A manager can select an alternative on the basis of his past experience. The past prevailed situation cannot be the same as the present prevailing situation. Situation changes from time to time. Past decisions may be rationally amended to suit the present situation. So, the past experience helps a lot to the manager in taking a decision.
   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. For example, before an organisation selects a production technique, it goes to trial production. The organisation finally selects production techniques which result in a quality production with minimum loss and expenses. This approach, being expensive and time consuming, should be used only on limited scale.
   C. Research and analysis: This approach is also rarely adopted. In case of critical situation, a decision is taken under this approach. If a lot of calculations are required, they are completed with the help of computers.

8. **Conversion of 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 the management. The selected alternative decision is communicated to concerned persons. This communication facilitates easy implementation of decision. The language of decision should be simple and easily understandable.

9. **Implementation:** Next, the manager has to implement the decision to achieve desired goals. Decision-making process comes to an end

with the actual implementation of decision. Implementation is equally important to the selection of alternatives. Implementation plan should provide for time and procedure sequence. Necessary resources should also be allocated and responsibility for specific tasks should be assigned to individuals.

10. **Verifying the decision:** It is the duty of every manager to see whether the decision is properly implemented or not. Verification of implementation of decision ensures the achievement of objectives. The selected alternative may be an ill-chosen one and might cause loss to the organisation. This can be measured with the help of verifying the decision if the manager feels that the selected alternative is not the best one; an amendment may be made to achieve desired goals. This is the simple process of decision making.

TYPES OF DECISION

Some of the decisions are discussed below:

1. **Programmed decisions:** They are otherwise called *routine decisions or structured* decisions. The reason is that these types of decisions are taken frequently and they are repetitive in nature. This decision is taken within the purview of the policy of the organisation. Only lower level management takes programmed decision and has short-term impact. Granting over time work, placing purchase order (for materials) etc., are some of the examples of programmed decisions. There is a clear cut procedure to take programmed decisions. The decision-maker need not ask anything from the Personnel Manager or Board of Directors while taking programmed decisions.

2. **Non-programmed decision:** They are otherwise called *strategic decisions or basic decisions* or policy decisions or unstructured decisions. This decision is taken by top management people whenever the need arises. A careful analysis is made by the management before taking a policy decision. The management may publish its policy in small book which is known as policy manual. Policy decision involves heavy expenditure to management. Starting a new business, whether to export or not, acquisition of a business etc. are some of the examples of non-programmed decisions. This

decision has a long-term impact on business. A slight mistake in the policy decision is bound to injure the entire organisation.

3. **Major decision:** Major decision relates to the purchase of fixed assets with more value. The purchase of land and building is an example of major decision. This decision is taken by the top management.

4. **Minor decision:** Minor decision relates to the purchase of current assets with less value. Purchase of pencil, pen, ink, etc., are some of the examples of minor decision. This decision is taken by lower level management people.

5. **Operative decision:** A decision which relates to day-to-day operation of an organisation is known as operative decision. This type of decision is taken by middle level management people normally. The reason is that they are working at supervisory level and have a good knowledge of the operations. The time of payment of overtime wages is fixed by middle level management people. It is an example of operative decision.

6. **Organisational decision:** The decision-maker takes a decision and implements it for effective functioning of organisation and it is called organisational decision. He takes this decision on his authority and capacity.

7. **Personal decision:** The decision-maker takes a decision for his personal life which is known as personal decision. He implements this decision in his home and sets right his personal life. This decision does not reflect the functioning of an organisation. The decision maker is not a member of an organisation while taking a personal decision.

8. **Individual decision:** Confusion exists regarding the difference between individual decision and personal decision. They are not one and the same. The decision-maker is a member of an organisation while taking an individual decision. He can implement it in the organisation. He is delegated with authority to take individual

decision. He considers the policy and situation prevailing in an organisation while taking individual decision.

9. **Group decision:** A committee is formed by the top management for specific purposes. Here, the top management feels that no individual can take effective decision to solve a problem. The top management fixes the time within which the committee is expected to submit its report with concrete decisions.

10. **Departmental decision:** Here, the decision-maker is department head or department manager. He takes a decision to run the department. Department decision has no impact on other departments. This decision is implemented within the concerned department itself.

11. **Non-economic decision:** Non-economic decision refers to a decision which does not incur any expenses. These types of decisions are taken at all levels of management. A decision which relates to setting right the morale behaviour of workers is termed as *non-economic decision*.

12. **Crisis decision:** A decision is taken to meet unexpected situations. There is no possibility and time for the decision-maker for getting through investigation while taking a crisis decision. It may be otherwise called spot decision. The reason is that whenever a need arises, the decision maker has to take a decision without wasting a second.

13. **Research decision:** A decision is taken after analysing the pros and cons of a particular matter. There is no pressure on the decision-maker to take such a decision. Research decision requires a lot of information. The quality of research decision is fully depending upon the availability of reliable information.

14. **Problem decision:** A decision is taken to solve a problem. The problem may be an expected one or unexpected one. Besides, the arrived decision does not create any more problem to the organisation.

15. **Opportunity decision:** This pertains to a decision taken to make use of the advantages available to the company or organisation. The advantages may be increasing the turnover, introducing a new product, building of another similar unit to avoid competition etc.

16. **Certainty decision:** Here, the term certainty refers to accurate knowledge of the outcome from each choice. For example, ascertaining how much profits will be maximised by introducing a new product or increasing the selling price and the like. There is only one outcome for each choice. The decision-maker himself knows the outcome and consequences of choice.

17. **Uncertainty decision**: The outcome is not accurate or several outcomes are possible whenever a decision is taken. The reason is that the decision-maker has incomplete knowledge and he does not know the consequences. For example, while marketing a new product, the decision (amount of profits) depends upon the prosperity period of that product. If the prosperity period is long, the amount of profit is high and vice versa.

    Management people take a number of decisions every day. These decisions are aimed at solving the existing problems. No decision creates any new problem to the management. There should be justice in taking a decision.

THANK YOU!