

19MEEEC1015-PRINCIPLES OF MANAGEMENT

By
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- Unit II – Planning
 - Nature and Purpose planning – Planning process – Types of plans – Objectives – Managing by objective (MBO) Strategies – Types of strategies – Policies – Decision Making – Types of decision – Decision Making Process - Rational Decision Making Process – Decision Making under different conditions.

Planning

Nature & Purpose of Planning, Planning Process, Types of Plans

Subject: Principles of Management

Unit: 2

Lecture:1

Course Outcome & Learning Outcome

CO2	LO	SO
Explain the planning process, policy & decision making	Explain the planning process	Explain about the planning
		Explain about the objectives
	Explain about policy & decision making	Explain about policy framing
		Explain about decision making

Planning-Defined . . .

- Task of coming up with a sequence of actions that will achieve a goal is called planning.
- Deciding in advance what to do, how to do, when to do and who is to do it.
- Bridges the gap between where we are to where we want to go.
- Thinking before doing.
- Intellectual demanding process

Nature of Planning

- Intellectual Process – think before acting
 - Decision making is an integral part
 - Continuous process – principle of navigational change
 - Plan must be flexible
 - All – Pervasive function
- Importance of planning
 - Minimizes risk and uncertainty
 - Leads to Success
 - Focuses attention on the organization's goals
 - Facilitates Control

Purpose of Planning

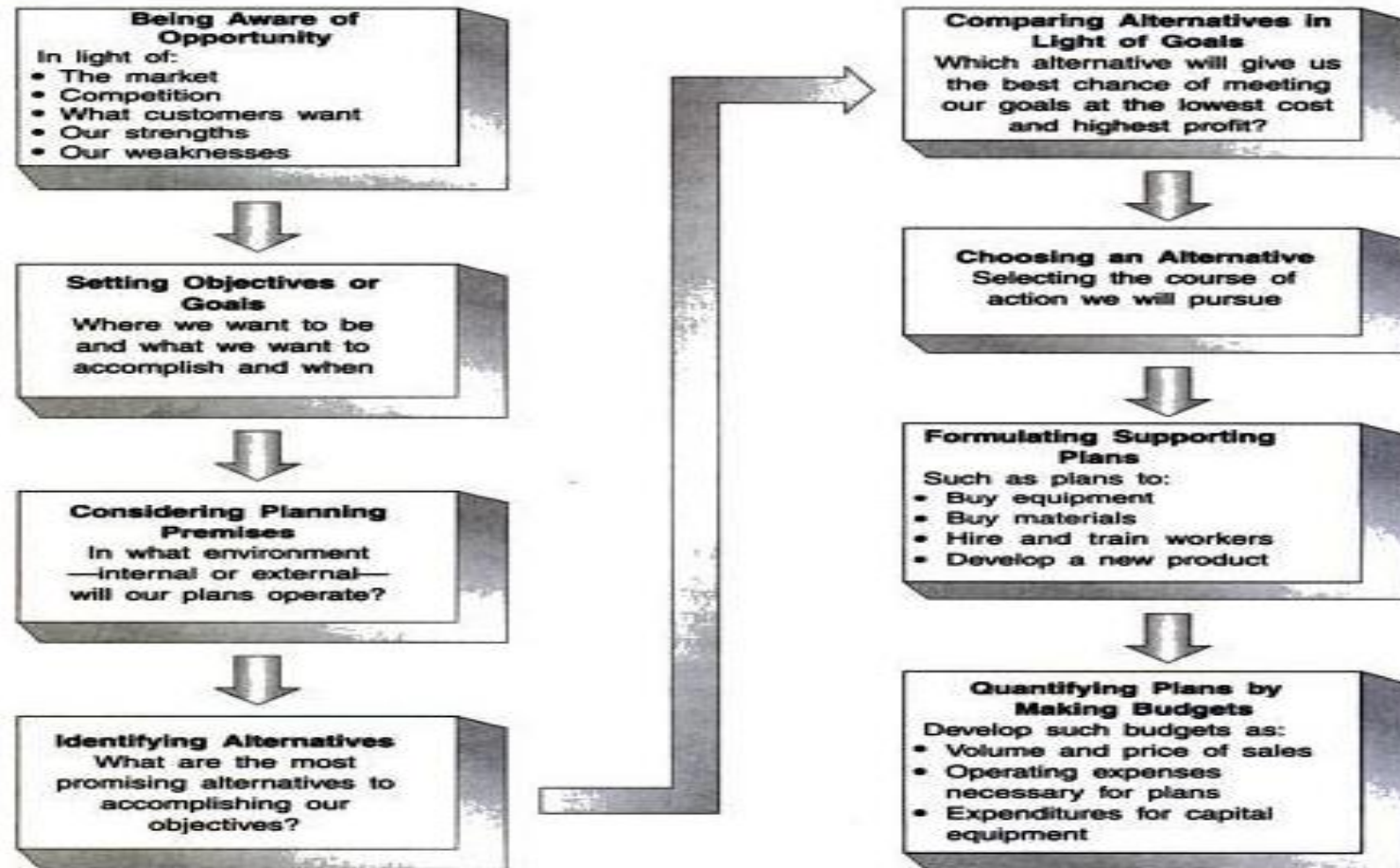
- To reduce **uncertainty, risk and confusion** in operation.
- To guide in the decision making by the managers.
- To help in achieving **coordination and facilitates control.**

Features of a Good Plan

Planning should be ...

- Based on clearly defined objectives
- Simple, easily understandable
- Should be clear, specific and logical
- Flexible or adaptable to changing conditions
- Must be balanced in all respects
- Must provide standards for the evaluation of performance and actions
- It should be economical & practicable
- Should be capable of being controlled

Steps in Planning.



Types of Plans

- Strategic Planning
 - Determine the vision for future as well as to identify the goals and objectives of the organization.

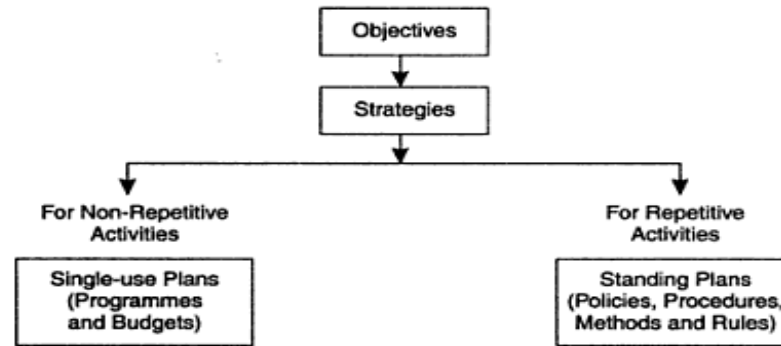


Fig. 4.1 *Hierarchy of organisational plans*

- Tactical Planning
 - Breaking down a long-term strategic plan into smaller and more distinct short-term plans.

Types of Plans Contd...

- Operational Planning
 - An operational plan (also known as a work plan) is a highly detailed outline of what your department will focus on for the near future—usually the upcoming year.
- Contingency Planning
 - Plans created to deal with events that might come to confront the organization (e.g., natural disasters, terrorist threats). Alternative courses of action that are to be implemented if events disrupt a planned course of action.

Difference between Strategic and Tactical Plans

<i>Strategic planning</i>	<i>Tactical planning</i>
<ol style="list-style-type: none">1. It decides the major goals and policies of allocation of resources to achieve these goals.2. It is done at higher levels of management. Middle managers sometimes are not even aware that strategic planning is being considered.3. It is long-term.4. It is generally based on long-term forecasts about technology, political environment, etc. and is more uncertain.5. It is less detailed because it is not involved with the day-to-day operations of the organisation.	<ol style="list-style-type: none">1. It decides the detailed use of resources for achieving each goal.2. It is done at lower levels of management.3. It is short-term.4. It is generally based on the past performance of the organisation and is less uncertain.5. It is more detailed because it is involved with the day-to-day operations of the organisation.

Types of Planning						
Type of Planning	Time Frame	Level of Management	Extent of coverage	Purpose and Goal	Breadth of Content	Accuracy and Predictability
Strategic	1–5 years	Top management (CEO, vice presidents, directors, division heads)	External environment and entire organization	Establish mission and long-term goals	Broad and general	High degree of uncertainty
Tactical	Less than 1 year	Middle management	Strategic business units	Establish mid-range goals for implementation	More specific	Moderate degree of certainty
Operational	Current	Supervisory management	Geographic and functional divisions	Implement and activate specific objectives	Specific and concrete	Reasonable degree of certainty
Contingency	When an event occurs or a situation demands	Top and middle management	External environment and entire organization	Meet unforeseen challenges and opportunities	Both broad and detailed	Reasonable degree of certainty once event or situation occurs

Limitations of Planning

- Expensive and time consuming process
- Restricts risk – free operation
- Limited for rapid changing situations
- Flexibility
- Difficulty to formulate
- Sometimes face peoples resistance

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Planning

Objectives, Management by Objective (MBO)

Subject: Principles of Management

Unit: 2

Lecture:2

Definition - Objectives

- According to Heinz Weihrich and Harold Koontz objectives of management is defined as,
- “A systematic manner and that is consciously directed towards **effective and efficient achievement of organizational and individual objectives**”.

Objectives Contd...

- End points of organization
- Distinguished
 - Purpose – Broad aim
 - Mission – Unique aim

Characteristics of objectives

1. Multiple in number
2. Tangible or Intangible
3. Priority
4. Arranged in a Hierarchy
5. Clash with each other

Objectives of Management

- Getting **Maximum Results** with Minimum Efforts
- **Increasing the Efficiency** of factors of Production
- Maximum **Prosperity for Employer & Employees**
- Human betterment & Social Justice

Requirements of Sound Objectives

- Clear and Acceptable
- Support one another
- Must be precise and measurable
 - Easier to decide
 - Motivators
 - Own plans
 - Corrective action
- Always remain valid

Setting Objectives

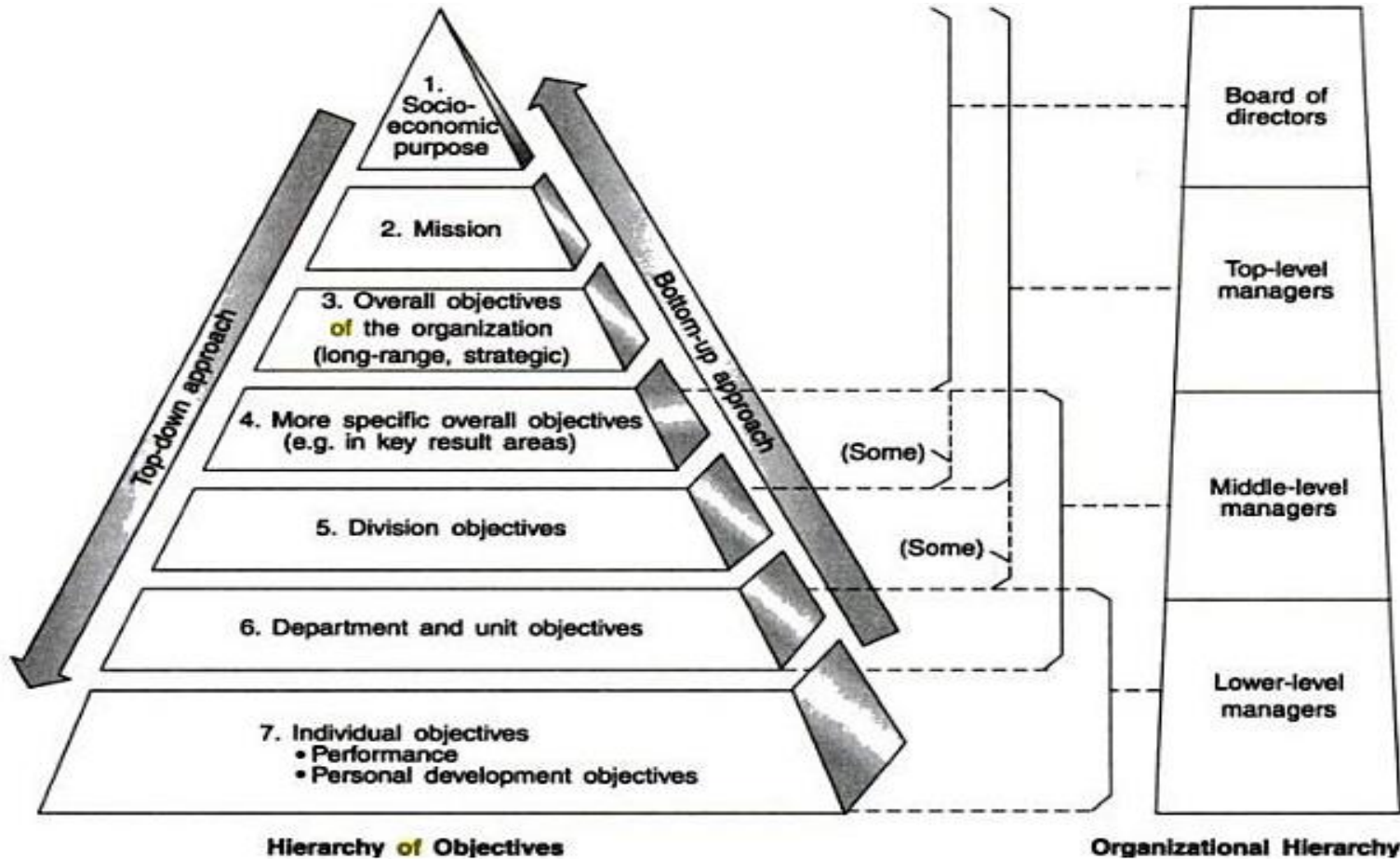
Objectives must be based on SMART criteria

- S – Specific
- M – Measurable
- A – Achievable
- R – Relevant
- T – Time-specific

SMART Objectives



Objectives and Organizational Hierarchy



Guidelines for setting objectives

1. Do the objectives cover the main features of my job? ☐
2. Is the list of objectives too long? If so, can I combine some objectives? ☐
3. Are the objectives verifiable, that is, will I know at the end of the period whether they have been achieved? ☐
4. Do the objectives indicate:
 - (a) quantity (how much)? ☐
 - (b) quality (how well, or specific characteristics)? ☐
 - (c) time (when)? ☐
 - (d) cost (at what cost)? ☐
5. Are the objectives challenging yet reasonable? ☐
6. Are priorities assigned to the objectives (ranking, weight, etc.)? ☐
7. Does the set of objectives also include:
 - (a) improvement objectives? ☐
 - (b) personal development objectives? ☐
8. Are the objectives coordinated with those of other managers and organizational units? Are they consistent with the objectives of my superior, my department, and the company? ☐
9. Have I communicated the objectives to all who need to be informed? ☐
10. Are the short-term objectives consistent with the long-term aims? ☐
11. Are the assumptions underlying the objectives clearly identified? ☐
12. Are the objectives expressed clearly, and are they in writing? ☐
13. Do the objectives provide for timely feedback so that I can take any necessary corrective steps? ☐
14. Are my resources and authority sufficient for achieving the objectives? ☐
15. Have I given the individuals who are expected to accomplish the objectives a chance to suggest their objectives? ☐
16. Do my subordinates have control over aspects for which they are assigned responsibility? ☐

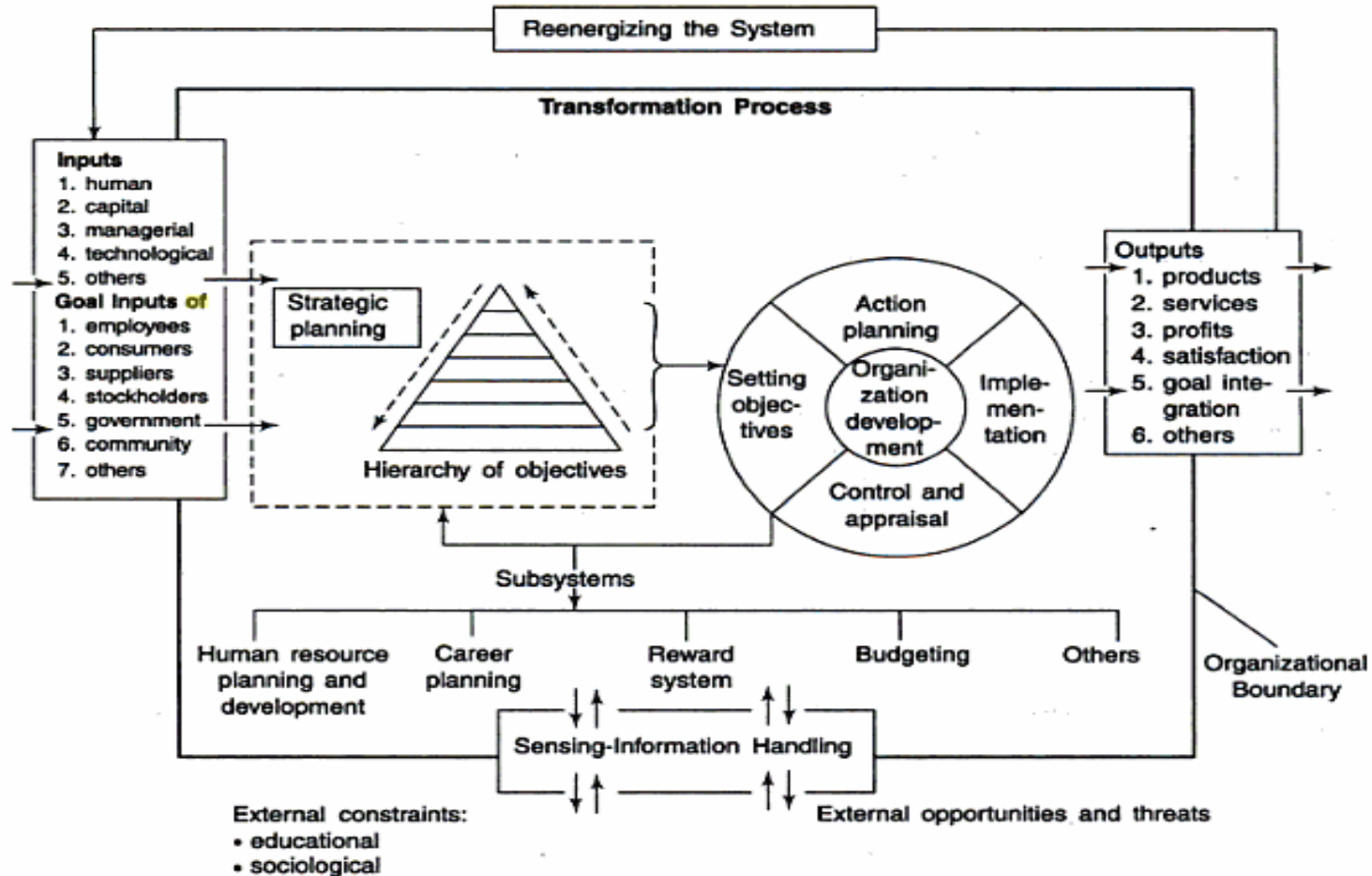
Advantages of objectives

- Encourages unified planning
- Provide Motivation
- Eliminate Haphazard actions
- Facilitate Coordination
- Managerial Control
- Facilitate better management
- Facilitate Communication among people

Managing through Objectives(MBO)

- MBO
 - Comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed toward the effective and efficient achievement of organizational and individual objectives.
 - Goal Driven
 - Success Oriented

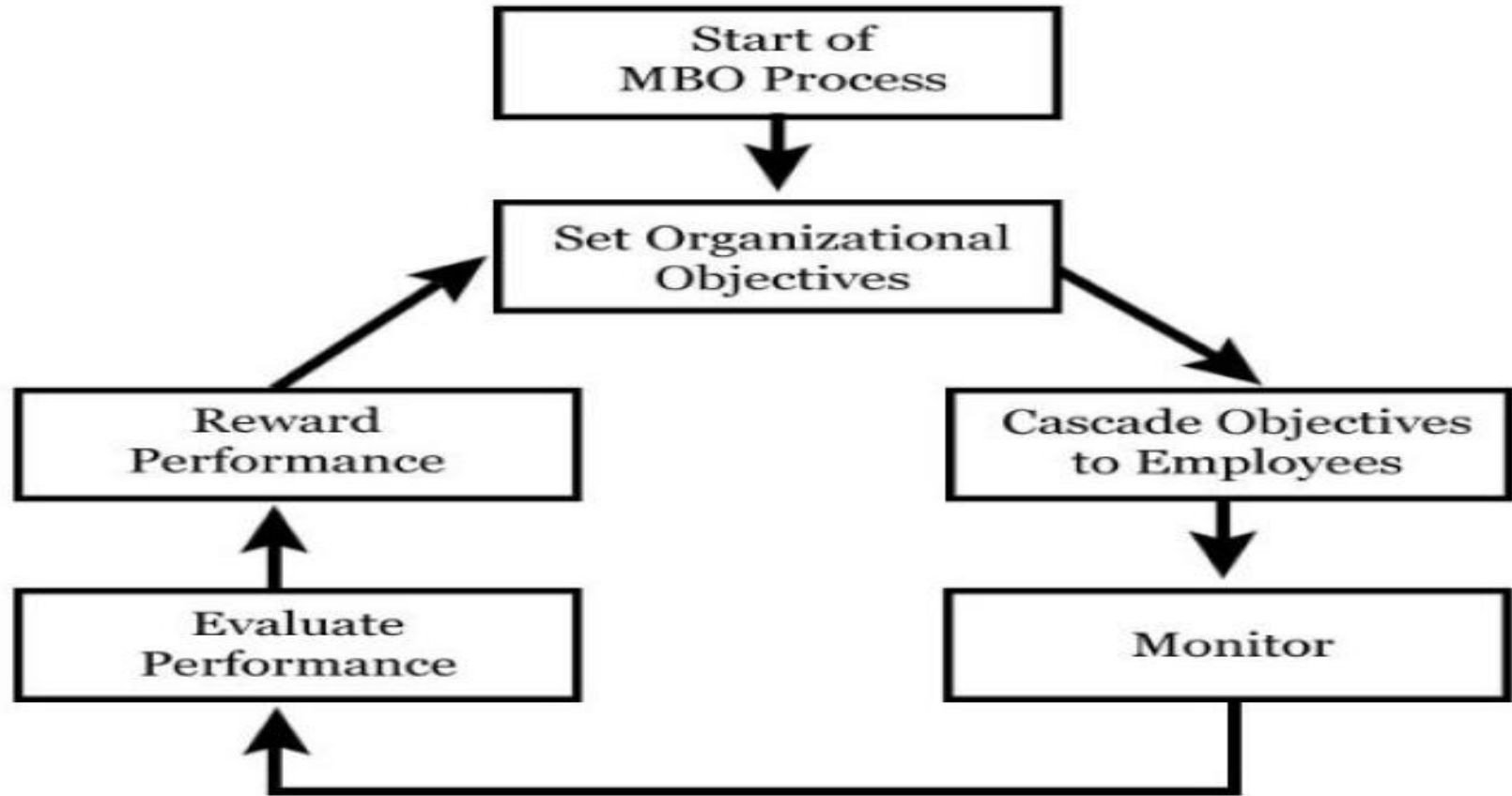
Systems Approach to MBO's



PROCESS OF MANAGING BY OBJECTIVES

- Management by objectives (MBO) is a systematic and organized approach that allows management to **focus on achievable goals** and to attain the best possible **results from available resources**.
- MBO managers **focus on the result, not the activity**. They delegate tasks by "negotiating a contract of goals" with their subordinates without dictating a detailed roadmap for implementation.
- It is about **setting objectives yourself and then breaking these down into more specific goals** or key results.

MBO Process



MBO Stages

- Define corporate **objectives at broad level**
- Analyze management tasks and devise **formal job specifications**, which allocate responsibilities and decisions to individual managers
- Set **performance standards**
- Agree and set specific objectives
- Align **individual targets with corporate objectives**
- Establish a **Management Information System(MIS)** to monitor achievements against objectives

Advantages

- MBO programs continually emphasize **what should be done** in an organization to achieve organizational goals.
- MBO process **secures employee commitment** to attaining organizational goals.

Disadvantages

- The **development of objectives can be time consuming**, leaving less time for both managers and employees to carry out their actual work.
- The elaborate written goals, careful communication of goals, and detailed performance evaluation required in the MBO program **increases the volume of paperwork** in an organization

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Strategies, Types of Strategies

Subject: Principles of Management

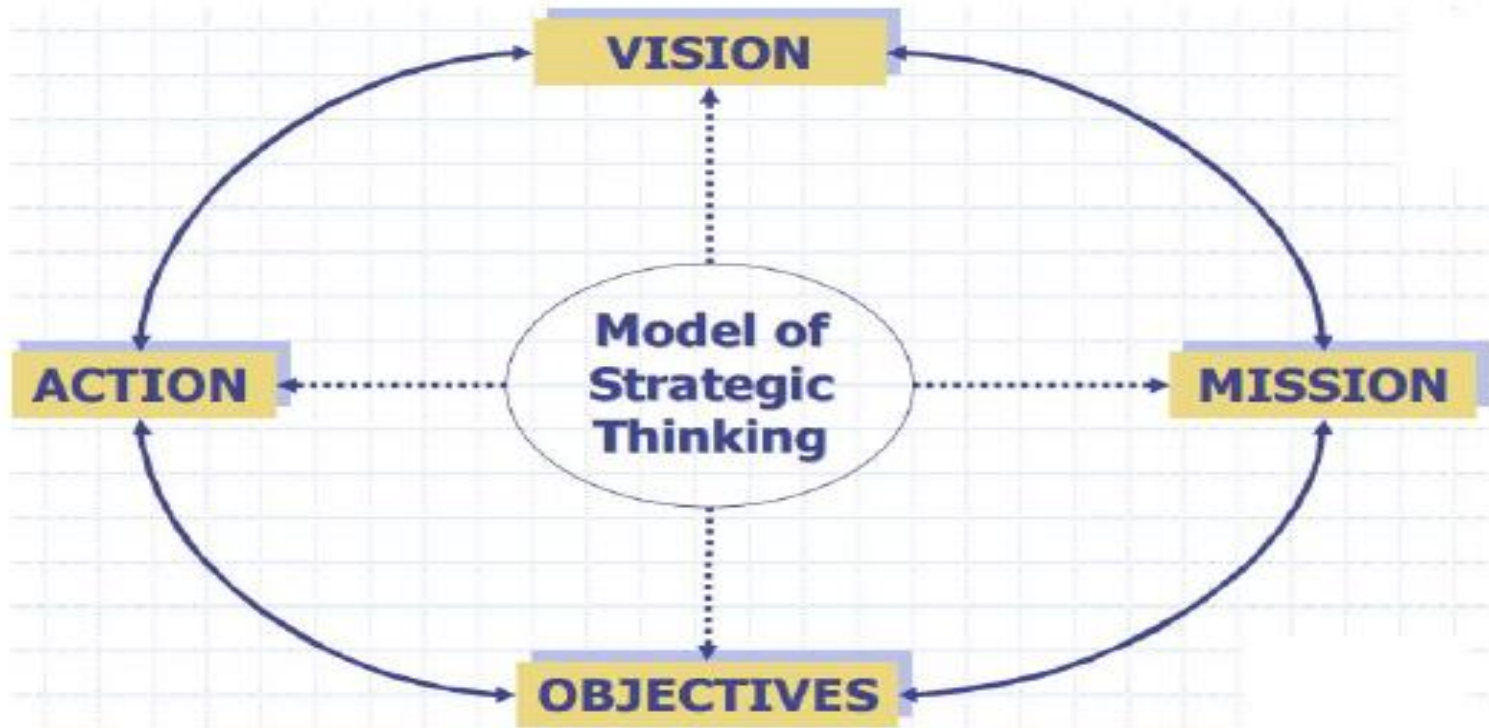
Unit: 2

Lecture:3

Strategies

- ▶ Determination of the mission or purpose and the basic long-term objectives of an enterprise, followed by the adoption of courses of action and allocation of resources necessary to achieve these aims.
- ▶ Concerns the direction in which human and material resources will be applied in order to increase the chance of achieving selected objectives.

Strategies



Strategic Management

- ▶ Process by which an organisation **formulates its objectives and manages to achieve them**.
- ▶ Strategy is the means to achieve the organisational ends. A strategy is a **route to the destination viz., the “objectives of the firm”**.
- ▶ Here, destination means **choosing an objective**.
- ▶ Objectives and strategies evolve, **as problems and opportunities are identified, resolved and exploited**.

Stages of strategic-management process

- ▶ Strategy formulation,
- ▶ Strategy implementation
- ▶ Strategy evaluation.

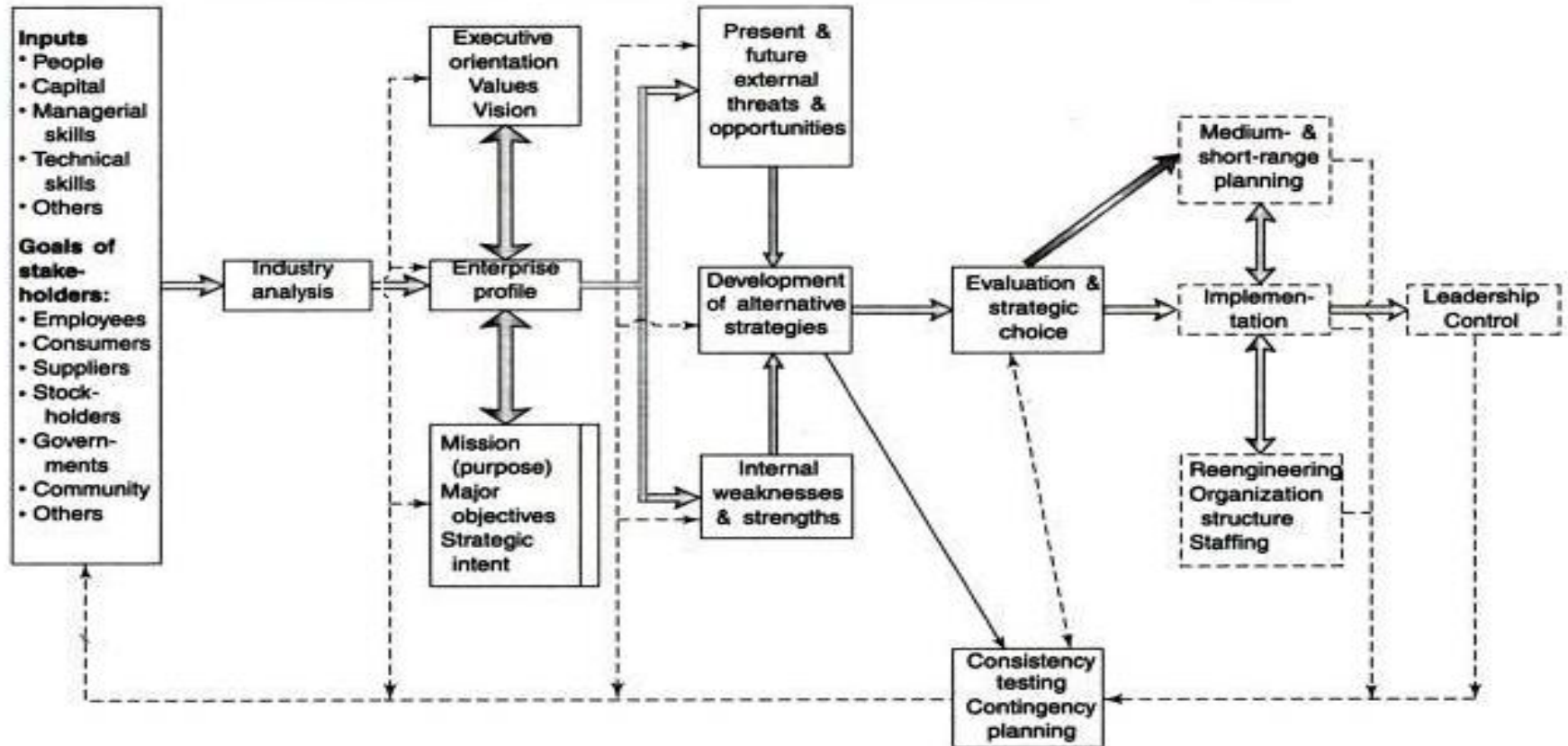
The Strategic Planning Process

- ▶ Inputs to the organization
- ▶ Industry Analysis
- ▶ Enterprise Profile
- ▶ Orientation, Values and Vision of executives
- ▶ Mission(Purpose), Major Objectives and Strategic Intent
- ▶ Present and Future External Environment
- ▶ Internal Environment
- ▶ Development of Alternative Strategies
- ▶ Evaluation and Choice of Strategies
- ▶ Consistency Testing and Contingency Planning
- ▶ Medium and Short-Range Planning, Implementation through Organizing, Staffing, Leading and Controlling

Figure 5.1

Strategic Planning Process Model.

Adapted and modified from Heinz Weihrich, "The TOWS Matrix: A Tool for Situational Analysis," *Long Range Planning*, vol. 15, no. 2 (1982), pp. 54-66.



The TOWS Matrix: A Modern tool for analysis of the situation

- ▶ **Strategies are based on**
 - ▶ External Environment (Threats and Opportunities)
 - ▶ Internal Environment (Weaknesses and Strengths)
- ▶ **Four alternative strategies are**
 - ▶ WT Strategy
 - ▶ WO Strategy
 - ▶ ST Strategy
 - ▶ SO Strategy

Strategy Formulation

TOWS Matrix for Strategy Formulation.

External factors Internal factors	Internal strengths (S) e.g., strengths in management, operations, finance, marketing, R&D, engineering	Internal weaknesses (W) e.g., weaknesses in areas shown in the box of "strengths"
	SO strategy: Maxi-Maxi Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	WO strategy: Mini-Maxi e.g., developmental strategy to overcome weaknesses in order to take advantage of opportunities
External opportunities (O): (Consider risks also) e.g., current and future economic conditions, political and social changes, new products, services, and technology		
External threats (T): e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above	ST strategy: Maxi-Mini e.g., use of strengths to cope with threats or to avoid threats	WT strategy: Mini-Mini e.g., retrenchment, liquidation, or joint venture to minimize both weaknesses and threats

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Policies

Subject: Principles of Management
Unit: 2
Lecture:4

- A policy is a broad guideline for **decision making** that links the **formulation of a strategy with its implementation.**
- It include **guidelines, rules, and procedures** established to support efforts to **achieve stated objectives.**

An effective policy accomplishes three things:

- It forces trade-offs between **competing resource demands**.
- It tests the **strategic soundness** of a particular action.
- It sets clear boundaries within which employees must operate while granting them **freedom to experiment** within those constraints.

Types of Policies

- Organizational and functional policies.
- Originated, Appealed and Imposed policies
- General and Specific policies.
- Written and Implied policies.

Types of Policies Contd...

- Organizational and functional policies.
 - Organizational - Made by a specific organization, by its stakeholders and for its internal and external stakeholders.
 - Functional - Functional policies are assigned to specific areas in any kind of set up. These range from financial, production, marketing and others.
- Originated, Appealed and Imposed policies
 - Originated – Formulated by top level management with reference to the objectives of the organization. These types of policies guide the actions of subordinates.
 - Appealed - Formulated at the higher managerial level in response to appeals made by lower managerial levels.
 - Imposed - Influenced by the policies of the Government and other public agencies, trade unions, trade associations, etc.

Types of Policies

- General and Specific policies.
 - General – Formulated with regard to any specific issue i.e. transfer, promotion, compensation etc.
 - Specific - quite self-explanatory and straight forward. Be it in government or private sector, this type of policy is formulated to address a particular issue and usually is temporary.
- Written and Implied policies.
 - Written – It is written in simple terms and clear language. It has well-defined procedures. The procedures should clearly indicate how instructions in the policy should be carried out.
 - Implied - when a series of decisions are made by managers over a period of time. These policies exist in an unwritten form.

Guidelines for effective Policy Making

- ▶ Stated in writing
- ▶ Reflect the objectives
- ▶ Participative formulation
- ▶ Reasonable balance between stability and flexibility
- ▶ Should not pull in different directions
- ▶ Coverage of contingencies
- ▶ Periodically reviewed

Standing Plans - Procedures

- ▶ Procedures – Policies carried out through detailed guidelines
 - ▶ Eg. Procedure for recruitment of personnel
- ▶ Advantages are
 - ▶ Standard way
 - ▶ Work simplification
 - ▶ Timing
 - ▶ Efficiency
- ▶ Limitation
 - ▶ Innovation
 - ▶ Technological development

Difference between Policy and Procedure

Difference between policy and procedure Various points of distinction between the two are as under:

1. Policies are general guides to both thinking and action of people at higher levels. Procedures are general guides to action only usually for people at lower levels.
2. Policies help in fulfilling the objectives of the enterprise. Procedures show us the way to implement policies.
3. Policies are generally broad and allow some latitude in decision making. Procedures are specific and do not allow latitude.
4. Policies are often established without any study or analysis. Procedures are always established after thorough study and analysis of work.

Advantages

- ▶ Top management provides **guidelines to lower level managers.**
- ▶ Gives managers to act at all levels **without the need to consult the superiors every time.**
- ▶ Better Administrative control. Provides rational basis for evaluating the results.
- ▶ By setting up of policies, the management ensures that the decisions made will be in tune with the objectives and interests of the organization.
- ▶ They **save time and effort by pre-deciding problems** in repetitive situations.

Limitations

- ▶ Policy is formulated under particular **preset conditions which do not remain the same** for all problems.
- ▶ Requires constant **review and revision**.
- ▶ Can't be framed for all problems.
- ▶ Serve as guides for thinking and action and **do not provide solutions to problems**.
- ▶ They are **not substitute for human judgment**.
- ▶ They only **point out the limits** within which the judgment is to be taken.
- ▶ They may **stifle individual initiative and creativity**.

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Decision Making

Subject: Principles of Management

Unit: 2

Lecture:5

Decision Making

- ▶ Selection of a course of action from among alternatives; it is at the core of planning
 - ▶ Central job
 - ▶ Part of planning
 - ▶ Permeates all managerial functions
 - Planning – Objectives & Policies
 - Organizing – Structure, Delegation of Authority etc..
 - Directing – Orders and Instructions
 - Controlling – Control points

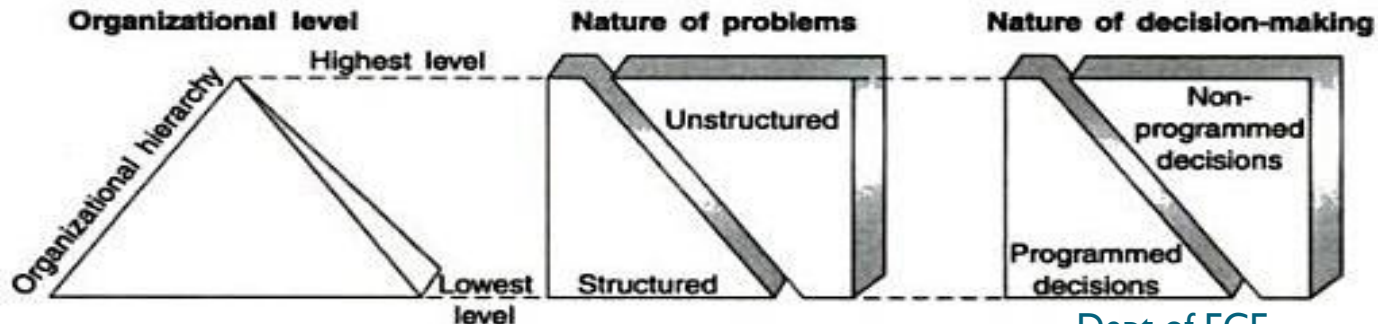
Types of Decisions

1. Programmed and Non-Programmed Decisions
2. Major and Minor Decisions
3. Routine and Strategic Decisions
4. Individual and Group Decisions
5. Simple and Complex Decisions

Programmed and Non-Programmed Decisions

- ▶ Programmed Decisions
 - ▶ Policy, Rules and Procedures
 - ▶ Repetitive and Routine
 - ▶ Not possible for different solutions
- ▶ Non-programmed Decisions
 - ▶ No definite procedure
 - ▶ Non-repetitive
 - ▶ Different solutions are possible

Nature of Problems and Decision-making in the Organization.



Major and Minor Decisions

1. Degree of futurity of decision
2. Impact of the decision on other functional areas
3. Qualitative factors that enter the decision
4. Recurrence of decisions

Routine and Strategic Decisions

1. Routine – Relate to the present
2. Strategic – Relate to the future

Individual and Group Decisions

- ▶ Individual decisions – Problem of a routine nature
- ▶ Group decisions – Strategic decisions
- ▶ Two approaches of group decision making
 - ▶ Nominal group technique - Highly controlled small group process for the generation of ideas.
 - ▶ Delphi technique – Survey technique for decision making among isolated respondents.
- ▶ **Advantages of group decisions**
 - ▶ Increased acceptance by those affected
 - ▶ Easier Coordination
 - ▶ Easier Communication
 - ▶ More information processed
- ▶ **Disadvantages of group decisions**
 - ▶ Time consuming
 - ▶ Indecisive

Simplex and Complex Decisions

- ▶ **Combination of Simplex and Complex**
 - ▶ Mechanistic or Routine Decisions
 - ▶ Judgmental Decisions
 - ▶ Analytical Decisions
 - ▶ Adaptive Decisions

Simplex and Complex Decisions Contd...

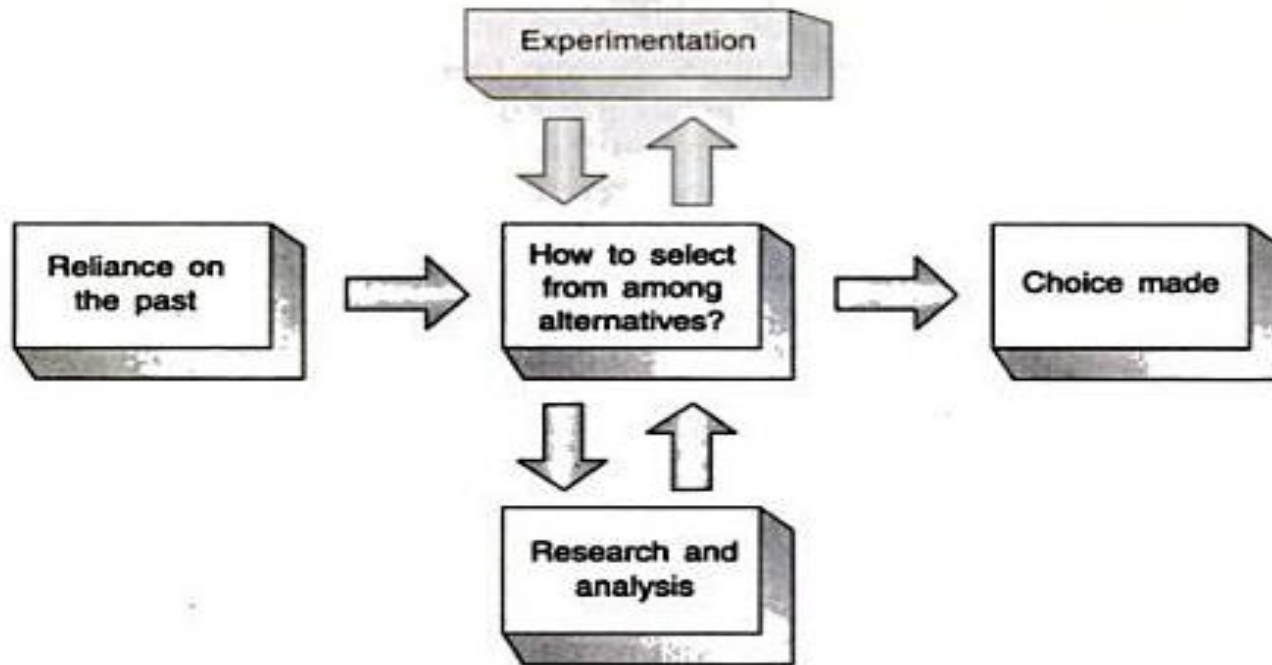
<p>Uncertainty High Outcome/Solution cannot be found</p>	<p>Judgment Decisions:</p> <p>The marketing manager may have several alternative ways of promoting a product, but he or she may not be sure of their outcomes.</p> <p>Good judgment is needed to increase the possibility of desired outcomes and minimize the possibility of undesired outcomes.</p>	<p>Adaptive Decisions:</p> <p>involves a problem with a large number of decision variables, where outcomes are not predictable</p> <p>Because of the complexity and uncertainty of such problems, decision makers are not able to agree on their nature or on decision strategies</p> <p>Such ill-structured problems usually require the contributions of many people with diverse technical backgrounds</p>
<p>Uncertainty Low Outcome/Solution can be found</p>	<p>Mechanical Decisions :</p> <ol style="list-style-type: none"> 1. Involves problems with limited number of decision variables 1. Outcome of each alternative is known 2. Daily Rotinues and Scheduled activities 3. Solved by habitual responses, standard operating procedures, or clerical routines. 	<p>Analytical Decisions:</p> <ol style="list-style-type: none"> 1. They may be complex, but solutions can be found. 2. Involves problems with large number of decision variables 3. Complex Production and Engineering Problems
	<p>Low Complexity - Limited Number of decision variables</p>	<p>High Complexity - Large Number of decision variables</p>

Steps in Rational Decision Making

- ▶ Rational decision – Appropriate means are chosen to reach the desired ends
 - ▶ Recognizing the problem
 - ▶ When there is a deviation from past experience
 - ▶ When there is a deviation from the plan
 - ▶ When other peoples bringing problems to the manager
 - ▶ When competitors outperform the manager's organisation
 - ▶ Deciding priorities among problems
 - ▶ Diagnosing the problem
 - ▶ Developing alternative solutions or Courses of action
 - ▶ Measuring and comparing the consequences of alternative solutions
 - ▶ Converting the decision into effective action and follow-up of action

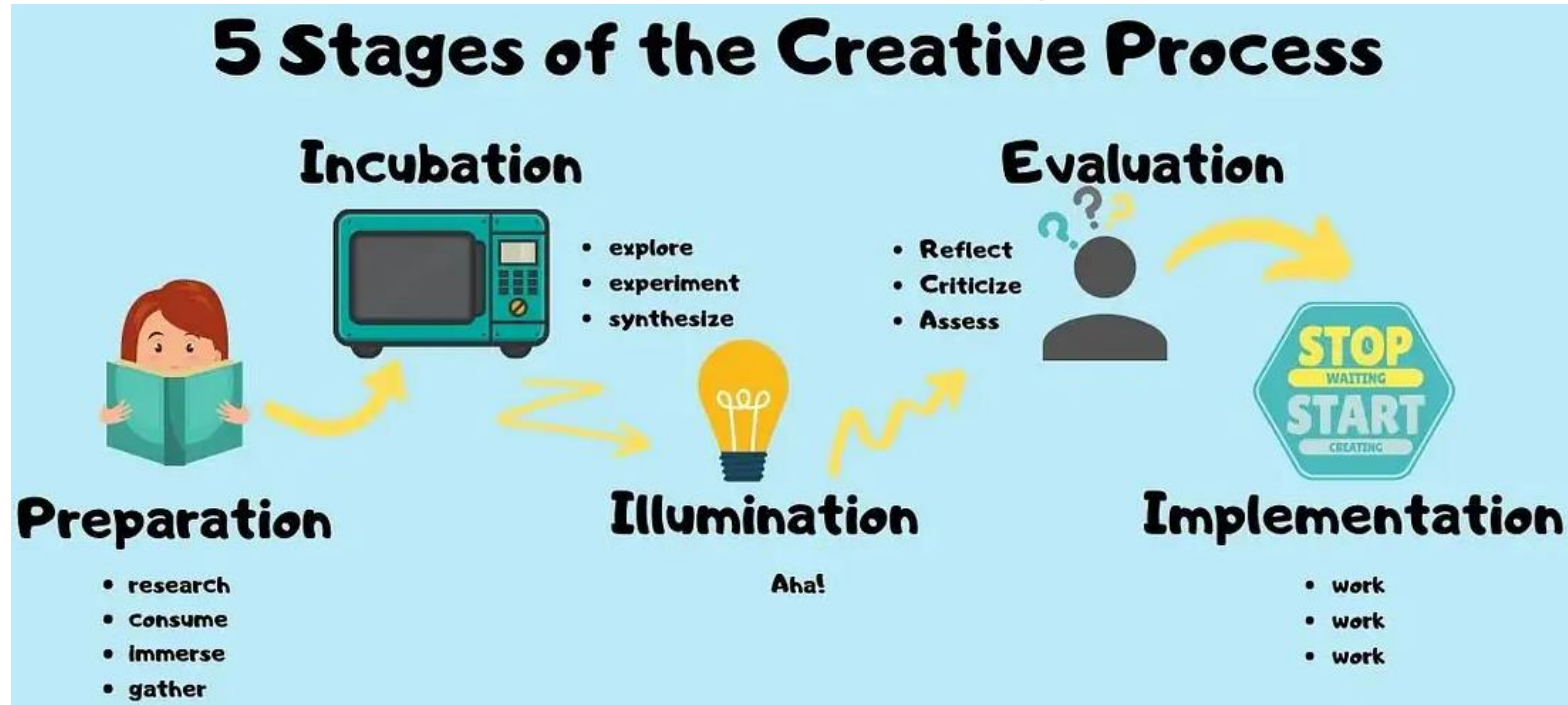
Developing Alternative Solutions

Bases for Selecting from among Alternative Courses of Action.



Developing Alternative Solutions contd...

- ▶ Creative Process consists of five stages



- ▶ Brainstorming

Measuring and Comparing the consequences of alternative solutions

- ▶ **Comparison of quality and acceptability**
 - ▶ Quality – Tangible and Non-Tangible
 - ▶ Acceptability – Technical and Human matters

Converting the decision into effective action and follow-up action

- ▶ Effective Communication
- ▶ To secure employee's acceptance of decision

Common difficulties in Decision Making

1. Incomplete Information
2. Unsupporting Environment
3. Non-Acceptance by Subordinates
4. Ineffective Communication
5. Incorrect Timing