

# Unit 2 : Planning



## Planning

Nature and purpose of planning

Steps in Planning process

Types of planning

Objectives

Setting objectives

Policies

Planning premises

Strategic Management

Planning Tools and Techniques

Decision making steps and process.

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# GOAL, PLAN & PLANNING

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## GOAL

A desired future state that the organization attempts to realize



## PLAN

A blueprint specifying the resource allocations, schedules, and other actions necessary for attaining goals



## PLANNING

Determining the organization's goals and the means for achieving them

- the most fundamental management function
- the most controversial management function

# Definition of Planning

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## Wehrich & Koontz

Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, that is, choosing best alternative from the available future courses of action.

**A job well planned is half done**

## McFarland

Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing & controlling the nature & direction of change.

## Terry

Planning is the selection & relating of fact & making & using of assumption regarding the future in the visualization & formation of proposed activities believed necessary to achieve desired result.”

**Planning bridges the gap from where we are to where we want to go**

# Nature & Features of planning

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## Planning focuses on achieving objectives

- ✓ Planning is an intellectual process
- ✓ It is a way to achieve the objective is decided in the planning

## Planning is primary function of management

- ✓ It is the first and foremost function of management
- ✓ It lead all other managerial functions
- ✓ Planning is the most basic to all management functions

## Planning is pervasive

- ✓ Planning is an important function of every manager (All levels of manager)
- ✓ Planning is pervasive(enveloping) function of management

## Planning is futuristic

- ✓ Planning is flexible because future is always dynamic
- ✓ Planning determines the future course of action
- ✓ Primarily concerned with looking into future

## Planning is continuous

- ✓ It is involving complex processes of perception, analysis, conceptual thought, communication, decision & action
- ✓ Plans are prepared for a particular period. Hence there is need for new plan after the expiry of that period

## Planning involves decision making

- ✓ Choosing best alternative from the available future courses of action.
- ✓ Involves selection of suitable course of action, means there are several alternatives for achieving objectives

## Planning is a mental exercises

- ✓ It is a process of thinking before doing
- ✓ It is deciding in advance

What to do?

How to do it?

When do it?

Who is to do?

*“Without the activities determined by planning, there would be nothing to organize, no one to activate and no need to control”.*

**George R. Terry**

# Importance of planning

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## Planning provides direction

- ✓ Gives direction to all the activities of an organization
- ✓ The attention of all the managers will get focused on the attainment of their objectives

## Planning reduces risks of uncertainty

- ✓ Future are anticipated & various activities are planned, the risk of future uncertainties can be minimized
- ✓ Provides certainty in the activities
- ✓ Planning establishes coordinated effort
- ✓ Manage complexities & competition

## Planning reduces overlapping and wasteful activities

- ✓ Problems of when, where, what and why are almost decided
- ✓ Helps in effective forecasting (predict)

## Planning establishes goals and standards used in controlling

## Planning promotes innovative ideas

- ✓ It is clear that planning selects the best alternative out of the many available
- ✓ Making effort of discovery, new ideas emerge and they are studied intensively in order to determine the best out of them
- ✓ Planning imparts a real power of thinking in the managers
- ✓ It leads to the birth of innovative & creative ideas

Formal planning is associated with Higher return on assets and Higher profits

Planning facilitates decision making

To increase organization effectiveness

Provides economy in the management

Helpful in the accomplishment of budgets

# Making management planning more effective

Planning has to be precise and effective for the success of the organization

## Create climate for planning

- Smoothly & systematically planned
- Stepwise sequence needs to be created
- This can be achieved by establishing clear cut goals

## Support from the top management

- Planning cannot be initiated until and unless the top management supports
- Need continuous attention, they must be willing to extend a helping hand whenever required

## Equal participation

- Secure acceptance and commitment from each and everyone in the organization
- Encourage subordinates participation



# Benefits of planning

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- Reduces uncertainty
- Encourage innovation & creativity
- Improves motivation
- Achieve better coordination
- Facilitates control
- Planning leads to success
- Focuses attention

## 6 Ps in planning

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

**Just planning is not enough**

## Proper communication

- Need proper & well developed communication network hence goals, premises, and policies
- Must be communicated to people
- Time limits must also be communicated in advance

## Integration

- All the plans that have been formulated must be properly balanced & integrated with the organizational mission statement
- Minimum wastage of the efforts & the resources

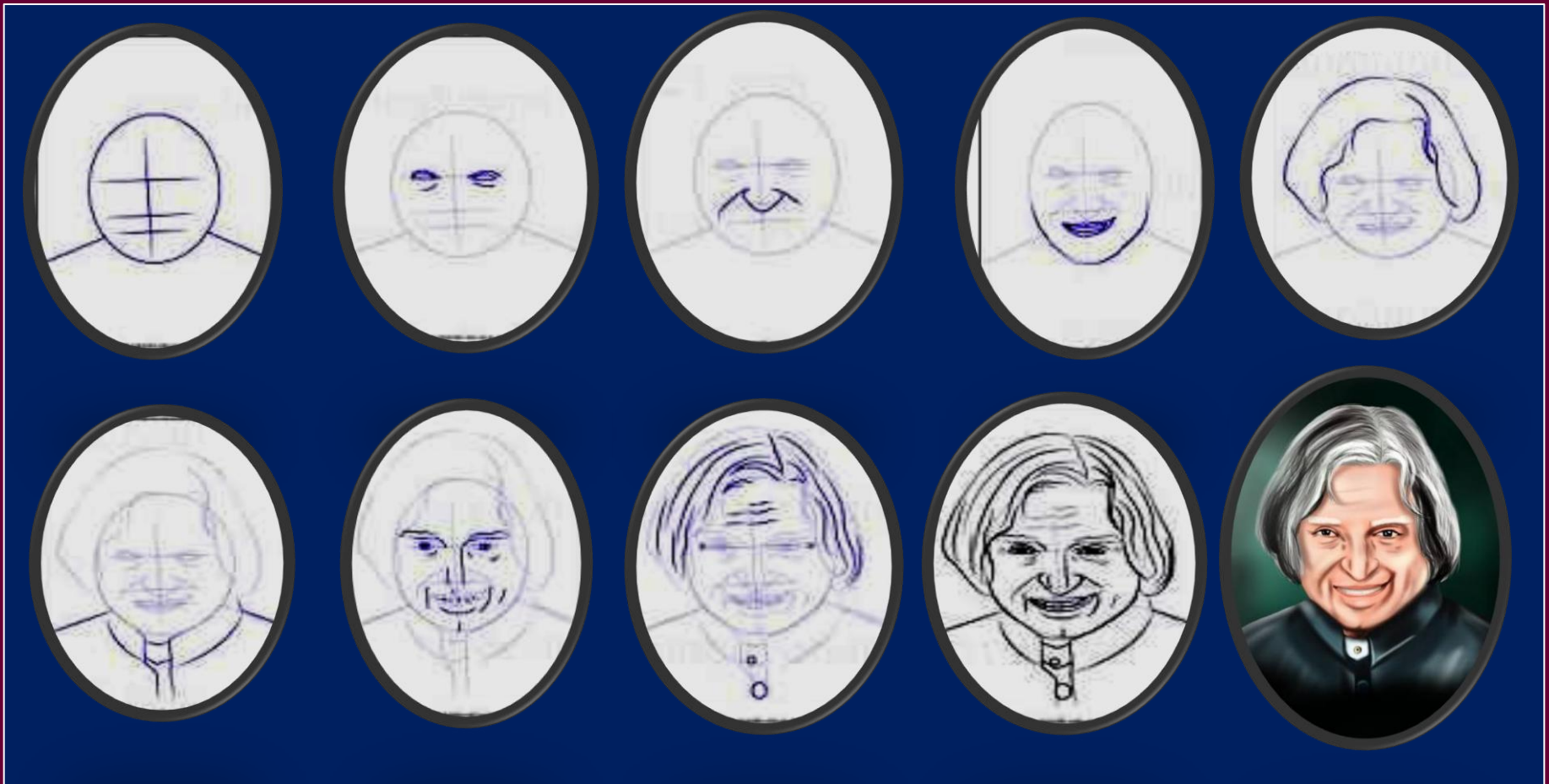
## Strict monitoring

- Plans must be subjected to regular appraisal in view of the dynamic nature of the environment both internal & external changes

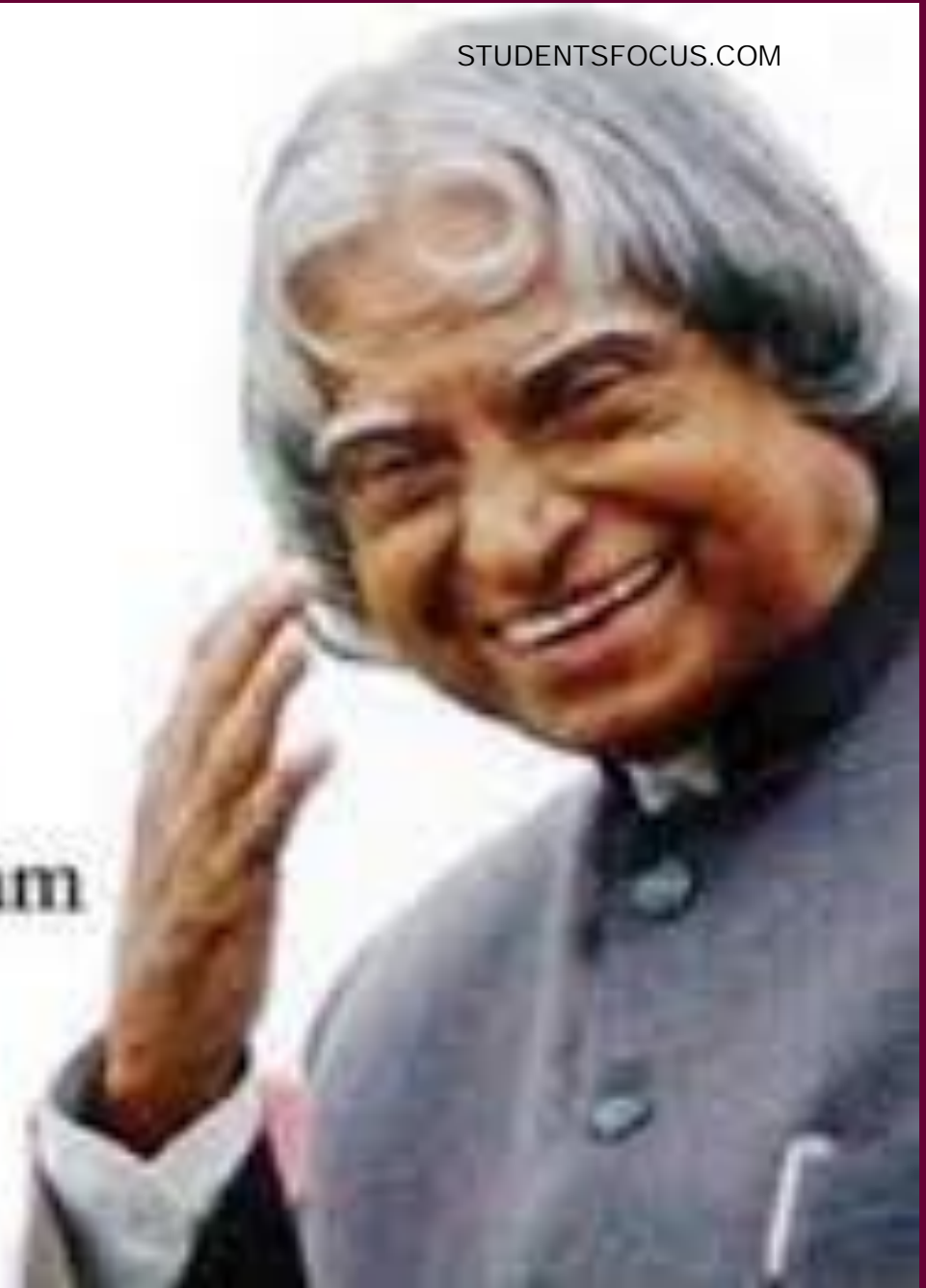
# Steps in Planning process

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- ❖ Plans may be major or minor in nature
- ❖ Minor plans are simpler and easily made
- ❖ Making Major plans require a detailed action plan



You have to  
dream before  
your dreams  
can come true  
....APJ Abdul Kalam



# Steps in Planning process

Identification of Opportunities

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Determination of Objectives

Developing Planning Premises

Identification of Alternatives

Evaluation of Alternatives

Selection of Best Alternatives

Formulating Derivative Plans

Communicating the Plan

Follow up Measures

## Being Aware of Opportunity

In light of

- Market → Competition
- What Customers want
- Our Strengths
- Our Weakness



It is not a part of planning process. **This is real staring point** both within & outside the organization

**All mangers should know**

Where they stand, in the light of their strengths & weaknesses.

Also they should understand what problems they wish to solve & why, and know what they expect to gain.



**Planning requires realistic finding of the opportunity**



# Determination of the objectives

Objectives set must clearly indicate

- What is to be achieved
- Where action should take place
- Who should perform it
- When it is to be accomplished

S



Specific

M



Measurable

A



Attainable

R



Relevant

T



Time Based

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## Developing Planning premises

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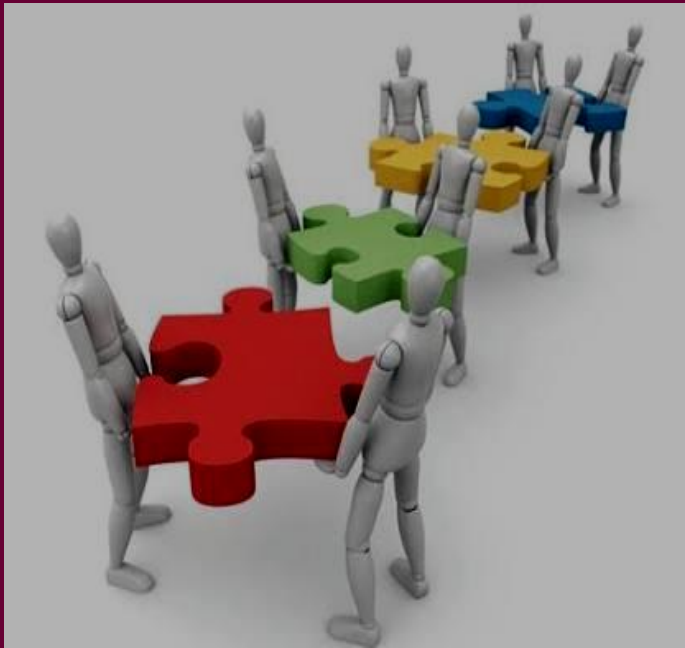
Planning is forward looking. Therefore planning is based on Forecasting (Assumption or Predict or Calculate)

Forecasting is made in the following ways

1. What will be the market force ? Market forces refers to demand, supply, buying capacity & the like
2. Expectation of volume of sales
3. What kind of products are to be sold & in what price ?
4. What would be their manufacturing costs?
5. What would be the tax policy & economic policy of the Government ?
6. Expectation of technology change in production
7. How is the finance raised for expansion and/or modernization of the business ?

Sufficient information must be collected in order to make plans and sub plans, Also must be done in terms of external and internal Environment





**Premise = Foundation  
(Ground)**



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# Identification of Alternatives

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- Usually, there are several alternatives for any plan.
- The manager should try to find out all the possible alternatives
- should Screen out most viable (workable) alternative
- To analyze in detail a limited number of alternatives



# Evolution of Alternatives

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After seeking out alternative courses and examine their strong and weak points

- Most profitable → Immediate profitable → Uncertainty
- Cash position & Capital availability
- Large cash outlay & slow payback
- Less profitable less risk (Easy)





# Selection of Best Alternative

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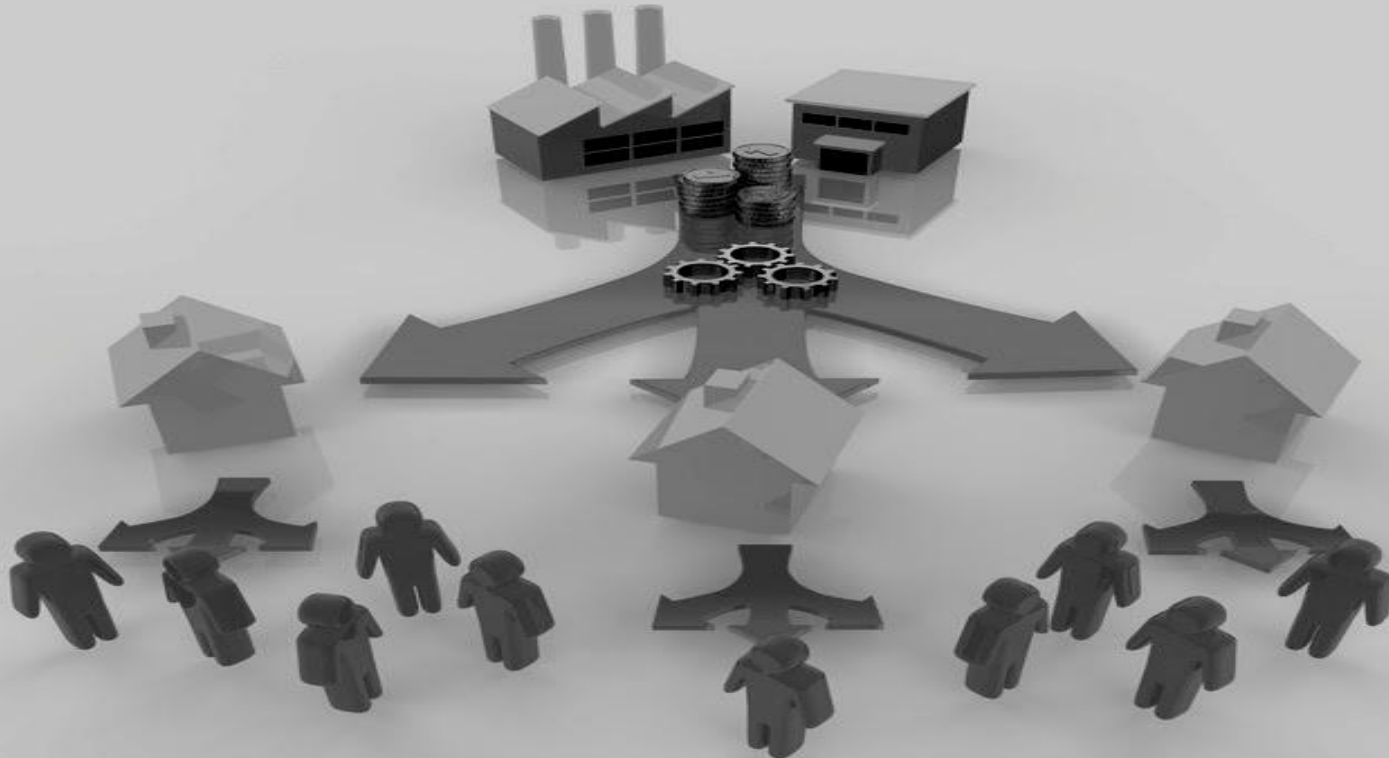
After evaluating the various alternatives the best alternative should be selected for implementation



## Formulation of Derivative plans (Secondary Plans)

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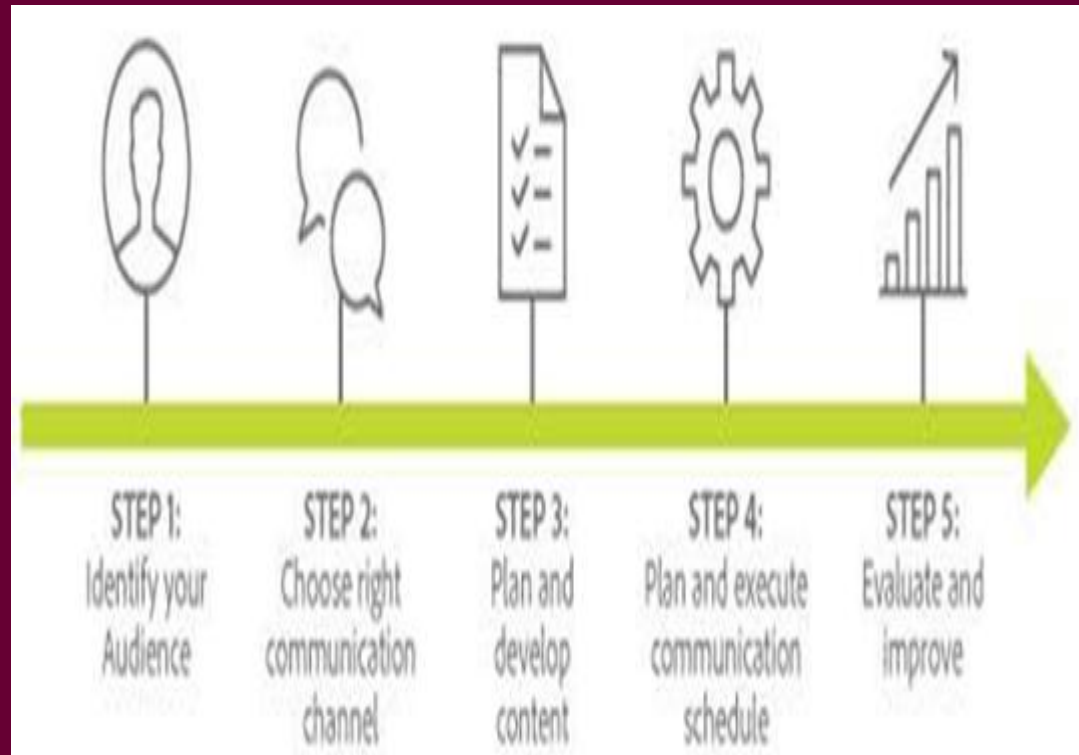
- Next step is to develop detailed sub plans for its implementation
- Derivative plans are required to support the overall plans
- Derivative plans are developed in the frame work of overall plans



# Communicating the Plan

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- It is very important to get the cooperation of the subordinates at every stage of its implementation
- **Securing participation of employees** : Successful execution of Any plan depends upon the extent participation of employees
- The management should involve employees in planning through communication, consultation and participation



## Follow-up measures (Evaluation)

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- The management should watch how planning is being done
- To ensure the plans are proceeding along the right lines
- **Continuous evaluation of planning is also necessary**
- It means that the actual performance is compared with the planning & **the corrective action is taken if there is any deviation**



# TYPES OF PLANS

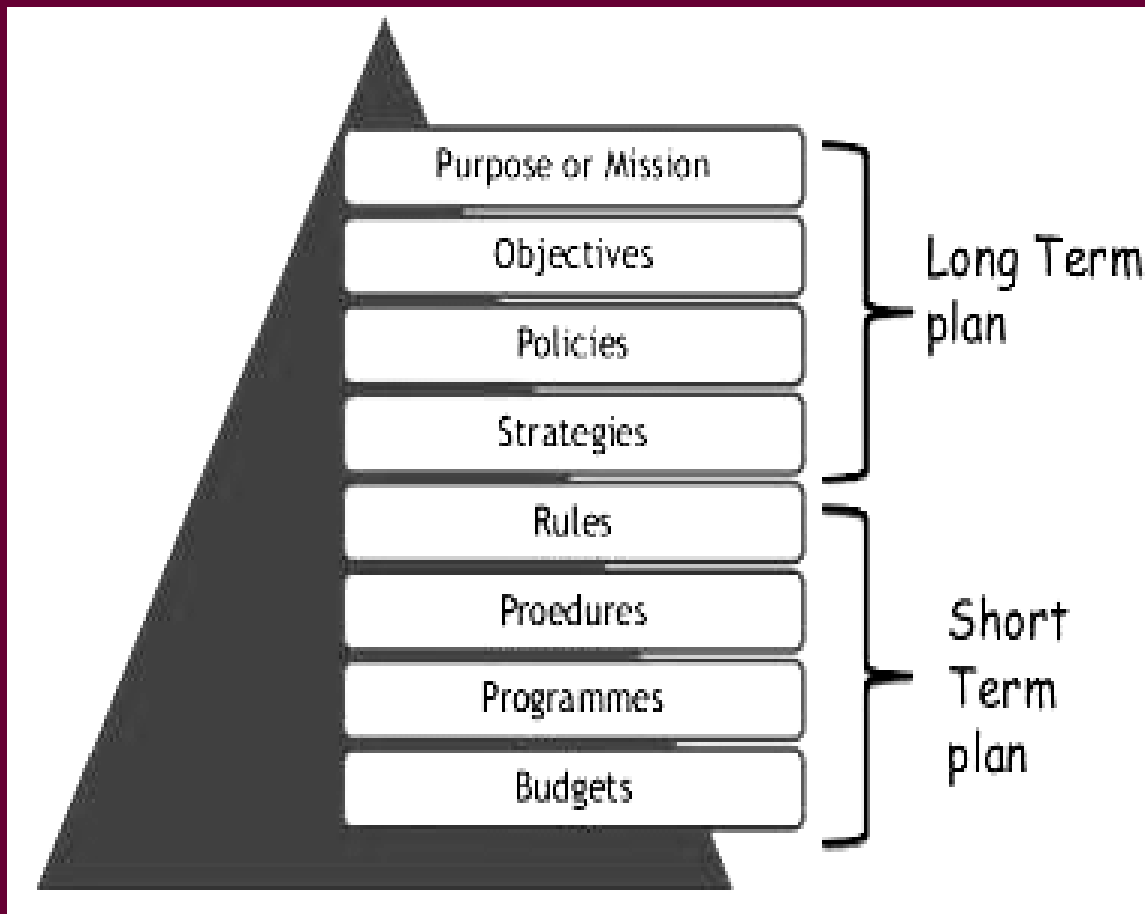
## (Classification of Planning)

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In the process of planning several specific plans are prepared which may broadly be classified into two categories

### 1. Standing Plans

### 2. Single Use Plans





# Standing Plans

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- ✓ Repeated use Plans
- ✓ Long Term Plans & are related to the entire organization
- ✓ These plans serve the purpose for a longer time
- ✓ Examples : Purpose, Objective, Policies, Strategies

## Purpose or Mission

The purpose is a brief statement identifying the **reason that an organization exists (future aim or function)**

- ✓ Every organization have meaningful purpose or mission
- ✓ Mission gives a **clear cut idea** about basic **long run commitment** of an organization

Mission of organization may be two fold

1. Production & Distribution of goods or services
2. Provision of employment & source of income to people



## Purpose

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**State High Way Department** → Design, Building & operation of a system of state highways

**Court** → Interpretation of laws & their applications

**University** → Teaching, Research, Consulting & Training

## Mission

**Reliance Oil Company** → To search for oil & to produce variety of petroleum products ranging from fuel to chemicals

**IIT, Chennai** → It provides intellectual leadership in chosen fields of technology & management

**IIM, Ahmadabad** → Teaching, Training, Consulting. It also aims to improve India's economy such as agriculture, education, health, population control, energy & public administration

**NASA** → Send Red rover to Mars & find out if there were any water traces on the red planet

# Objectives or Goals

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These are the end towards which the activities of an organization are directed.

- ✓ Objective decide what to do
- ✓ Objective decide where we want go, what we want to achieve & next what is our designation
- ✓ **Actions for achieving the purpose**



## Polices

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These are general statements or understandings that guide or channel thinking in decision making

- ✓ Policy decides How to do
- ✓ Polices are framed to achieve the objective efficiently
- ✓ **Guides to action**

## Strategies

Strategies – Military used word

It is a set of decision making rules for guidance of organizational behavior

Major targets or end results that relate to the long-term survival, value & growth of the organization

**A pattern of actions and resource allocations designed to achieve the organization's goals**



**Game  
Plan**

**It refers to the firm's overall plan for dealing with & existing in the environment**

# Operational Plans

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- ✓ Specify the details of how the overall goals are to be achieved
- ✓ Cover Short time period

## Rules

- ✓ Describe how a specific action is to be performed
- ✓ It is defined as a prescriptive (**Regulatory**) to people on their conduct & action
- ✓ Rules seeking to **discipline, structure, behavior & task performance** of people in formal organizational settings

## Examples

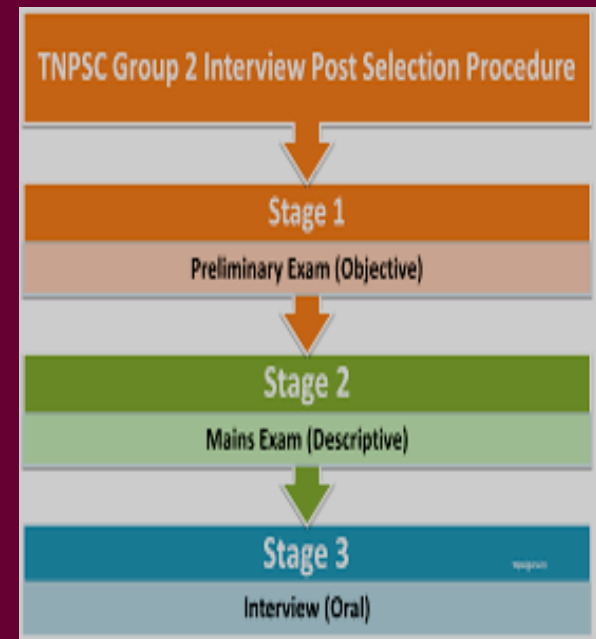


# Procedures

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Define a **precise series of steps (Sequential manner)** to be used in achieving a specific job

- ✓ Procedures are meant to standardized & routines the pattern
- ✓ It guide employees into action
- ✓ Producers are practical applications of polices





# Programs

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*Program* is a complex set of objectives and plans to achieve an important, one-time organizational goal

*Project* is similar to a program, but generally smaller in scope and complexity

## Budgets

Budget is statement of expected results expressed in numerical terms

It is prepared in terms of money, time, materials or other units required to perform work & accomplish specified results

### Examples

- Materials Budget
- Production Budget
- Sales Budget
- Cash flow Budget
- Profit Budget



# Objectives

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Objectives are the important ends toward which organizational & individual activities of are directed

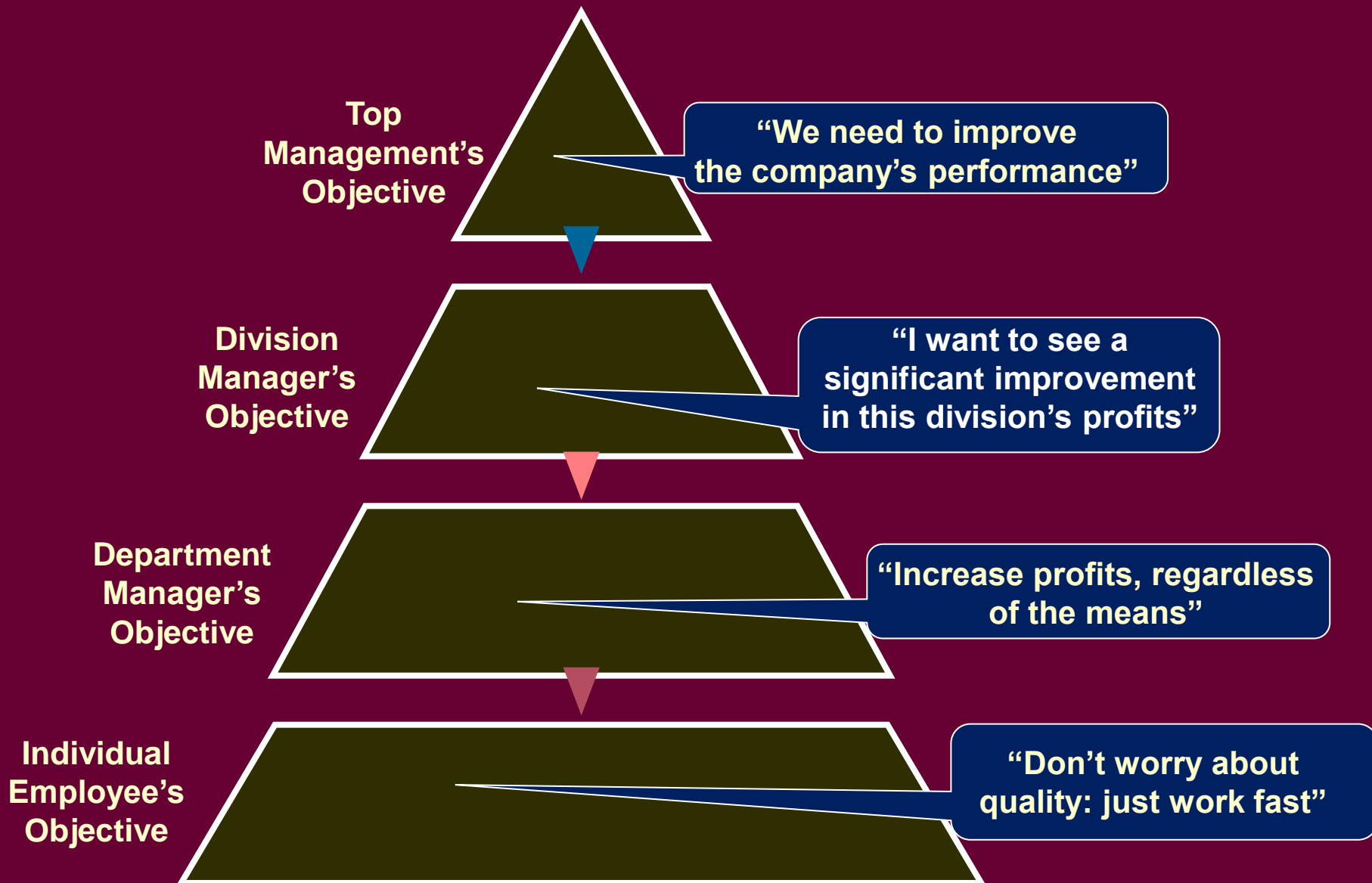
- ✓ Objectives may be long term or short term , broad or specific
- ✓ Objective decide where we want go, what we want to achieve & next what is our designation
- ✓ **Actions for achieving the purpose**

## Nature of Objectives

Objective state end results & overall need to be supported by sub objectives

1. Purpose of Society (Welfare to the people by providing goods & services at reasonable cost)
2. Purpose of Business ( Low wastage high attainment)

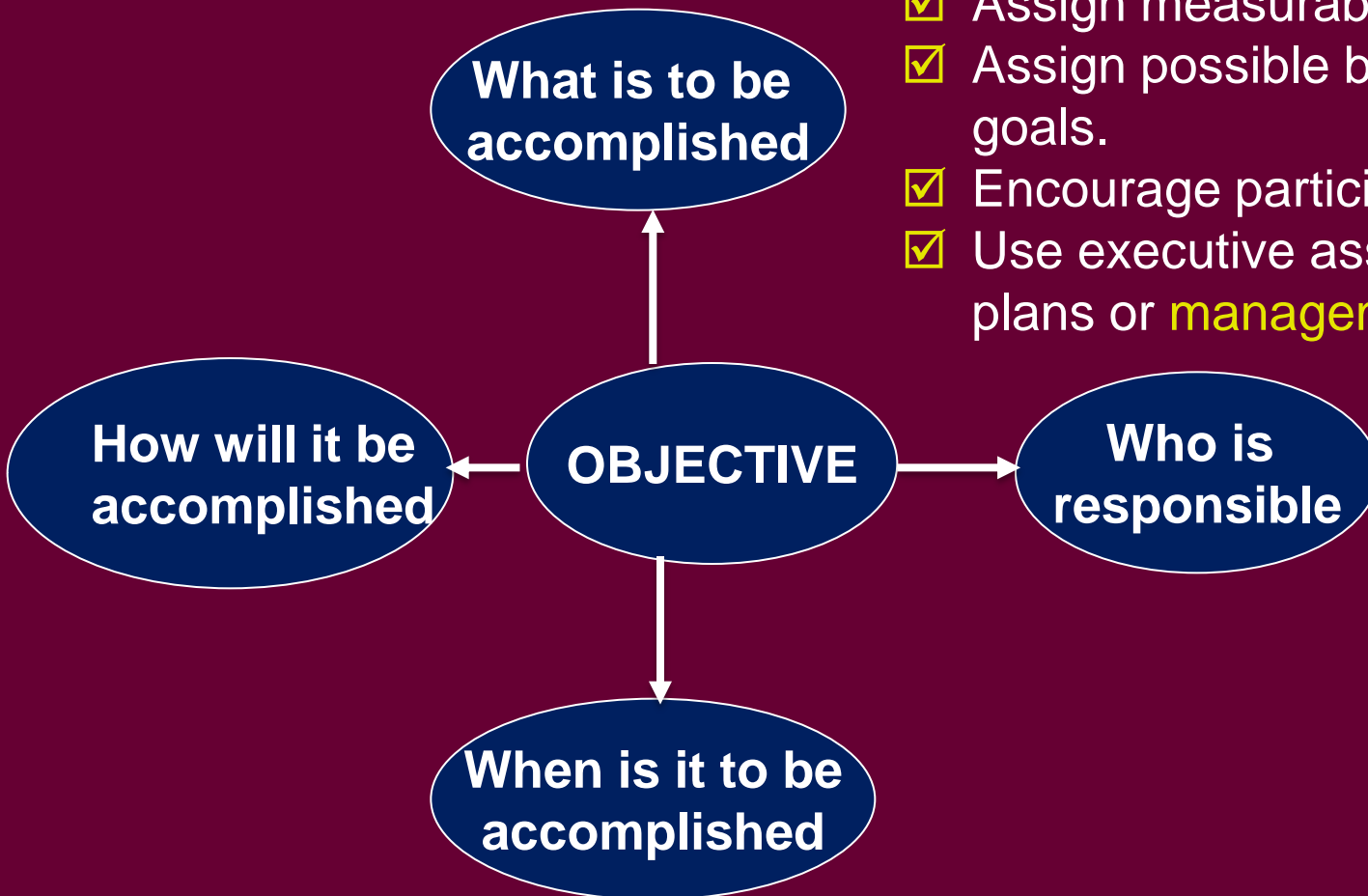




## Principles of Goal-Setting

- ✓ Set **SMART** goals  
(make them specific, measurable, attainable, relevant & timely)
- ✓ Assign specific goals.
- ✓ Assign measurable goals.
- ✓ Assign possible but challenging goals.
- ✓ Encourage participation.
- ✓ Use executive assignment action plans or **management by objectives**.

## Setting Objectives



# Features & Characteristics of Objectives

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1. Objective should be understandable
  - Must understand where it stands & where it has been
  - Determine what its goals are & how will attain them
2. Objectives should be measurable
  - Compare actual performance with planned target
  - Enable the business to measure the progress towards its stated aims
3. Hierarchy of objectives
  - All the objectives are not equally important
  - It should be achieved according to its priority & importance
4. Multiplicity of objectives
  - Business does not have a single objective. They are multiple in nature
  - Primary objective of every business is profit followed with customer satisfaction

# Features & Characteristics of Objectives

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## 5. Achievable

- Business goal must be achievable
- Achieved by its capabilities & resources

## 6. Objectives should be specific

- Objective must be specific in terms of time, quality & quantity
- Specific objectives help in understanding the objectives in the correct manner

## 7. Quantitative & Qualitative

- Objective is expressed in Quantitative & Qualitative terms  
i.e Volume, Number of value terms, Increase in sales ,  
market share rate of production

## 8. Flexible

- Flexible means “ that keeps on changing”
- Business environment keeps on changing

## **MBO – Management by Objectives**

MBO is intended to improve communication between employees & management , increaser employee understanding of company goals, focus employee efforts upon organizational objectives and provide pay & performance

Important factor of MBO : Results achieved by employees rather than the activities performed in their jobs

### **Features of MBO**

1. Superior subordination participation
2. Joint goal setting
3. Joint decision on methodology
4. Makes way to attain maximum result
5. Support from superior

# MBO Process

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# Steps in management by objective

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1. The organization's overall objectives and strategies are formulated.
2. Major objectives are allocated among divisional and departmental units.
3. Unit managers collaboratively set specific objectives for their units with their superiors.
4. Specific objectives are collaboratively set for all department members.
5. Action plans, defining how objectives are to be achieved, are specified and agreed upon by managers and subordinates.
6. The action plans are implemented.
7. Progress toward objectives is periodically reviewed, and feedback is provided.
8. Successful achievement of objectives is reinforced by performance-based rewards.

# Benefits of MBO

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- Developed result oriented philosophy
- Facilitates effective planning

Manager and employee efforts are focused on activities that will lead to goal attainment

- Facilitates effective control
- Facilitates personal leadership
- Performance can be improved at all company levels
- Acts in motivational force : Employees are motivated
- Departmental & individual goals are aligned with company goals

## Limitations of MBO

- \* Time Consuming
- \* Reward Punishment approach
- \* Develops conflicting objectives
- \* Lacks durability
- \* Lack of Appreciation
- \* Problem of coordination



# POLICIES

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Policies provide the framework within which the decision makers are expected to operate while making decisions related to an organization.

They are guide to the thinking and action of subordinates for the purpose of achieving the objectives of the business successfully.

## Nature of policy

1. Policy is an expression of intentions of top management.
2. It serves as a guide to decision making in an organization.
3. It should be planned after taking into consideration the long range plans and needs of an organization.
4. As policies live longer than the people therefore the policies should be framed after serious thinking and participation of the top executives.
5. Policies take a concrete step when they are put in writing.

# Types of POLICIES

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1. Basic or top management policy: laid by the top management like product selection, size of business, budgeting etc.
2. Middle management policies: general policies affecting a large part of organization. E.g. purchase policy
3. Departmental Policies: applies to routine activities e.g. workers related matters
4. Written and verbal policies
5. Implied policies: which actually exist in a company. Such policies can be known only by watching the actual working of an organization.
6. Functional policies: e.g. marketing policies, finance policies, research policies, and recruitment policies.
7. Policy manual: where all policies are compiled in the form of a book is called a policy manual.

## Steps in Policy Formulation

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1. Establish need for a Policy
2. Develop policy content
3. Draft the Policy
4. Write the procedure
5. Review of the policy by key parties
6. Approve the policy
7. Implement the policy
8. Policy review & update
9. Communication of changes to the policy

## ADVANTAGES OF POLICIES

1. Better performance
2. Helps in control
3. Better industrial relations
4. Helps in enhancing co-operation
5. Consistency

# PLANNING PREMISES

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## Premising

Planning is made dependent upon certain assumptions.  
some information are available & some are not.

It constitutes a framework in which planning is to be done.

Planning premises are made taking into consideration **both the past as well as the expected events.**

For planning premises managers may not face any uncertainty for implementing planning

## H.Koontz

Planning premises are identified as the anticipated environment in which plans are expected to operate

## C.B.Gupta

Planning premises are the critical factors which lay down the boundary for planning



# TYPES OF PLANNING PREMISES

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## 1. Internal premises

originate from factors within the premise

- ✓ Sales forecast
- ✓ Existing Internal policies & procedures
- ✓ Capital investment
- ✓ Personnel forecasts (Skills & abilities of personnel)
- ✓ Workers

## 2. External premises

originate from factors outside the organization

- ✓ Political forces
- ✓ Social forces
- ✓ Technological forces
- ✓ Economical forces
- ✓ Cultural forces

These are beyond the powers of any organization.



1. **Controllable premises** are those within the control of a business factors like

- \*\* Materials
- \*\* Money
- \*\* Machine
- \*\* Policies
- \*\* Procedures
- \*\* Programs

## 2. **Semi controllable**

These are under partial control of a business factors

- \*\* Labor relations
- \*\* Marketing strategy.

## 3. **Non controllable**

Which are beyond the control of any organization like

- \*\* Government policy
- \*\* Wars
- \*\* Natural calamities
- \*\* Whether conditions
- \*\* Customers behavior



## 1. Tangible premises

can be measured in terms of quantitative terms

\*\* Production of sale

\*\* Money

\*\* Time

\*\* Hours of work

## 2. Intangible premises

Cannot measured factors

\*\* Employee Moral

\*\* Employee Attitude

\*\* Public Relations

## 1. Constant premises

Do not change they remain the same even if there is change in the course of action they include

\*\* Men

\*\* Money

\*\* Machine

## 2. Variable premises

Subject to change they change according to the course of action they include

\*\* Union Management Relations

# Strategies

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Strategies – Military used word

It is a set of decision making rules for guidance of organizational behavior

Major targets or end results that relate to the long-term survival, value & growth of the organization

A pattern of actions and resource allocations designed to achieve the organization's goals

Types of strategies

- ✓ Strike while the iron is hot
- ✓ Camel's head in the tent
- ✓ Strength in unity
- ✓ Divide and rule
- ✓ Times is a great healer
- ✓ One step ahead

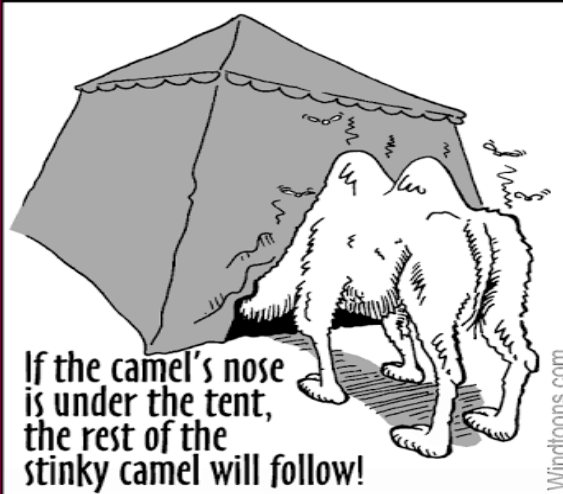


It refers to the firm's overall plan for dealing with & existing in the environment



Strike while the iron is hot.

dreamstime.com



Windtoons.com

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*Time is a  
great healer.*



*Give time  
some time.*

Network

**STRENGTH  
IN**

**UNITY**



**Divide & Rule**

Innovation through service that's one step ahead



# Features

1. It is a general program of action
2. More concerned with external problems rather than internal
3. It includes tactics used by the opponents
4. They need to be changed as per the requirements
5. Formulated only at the top level

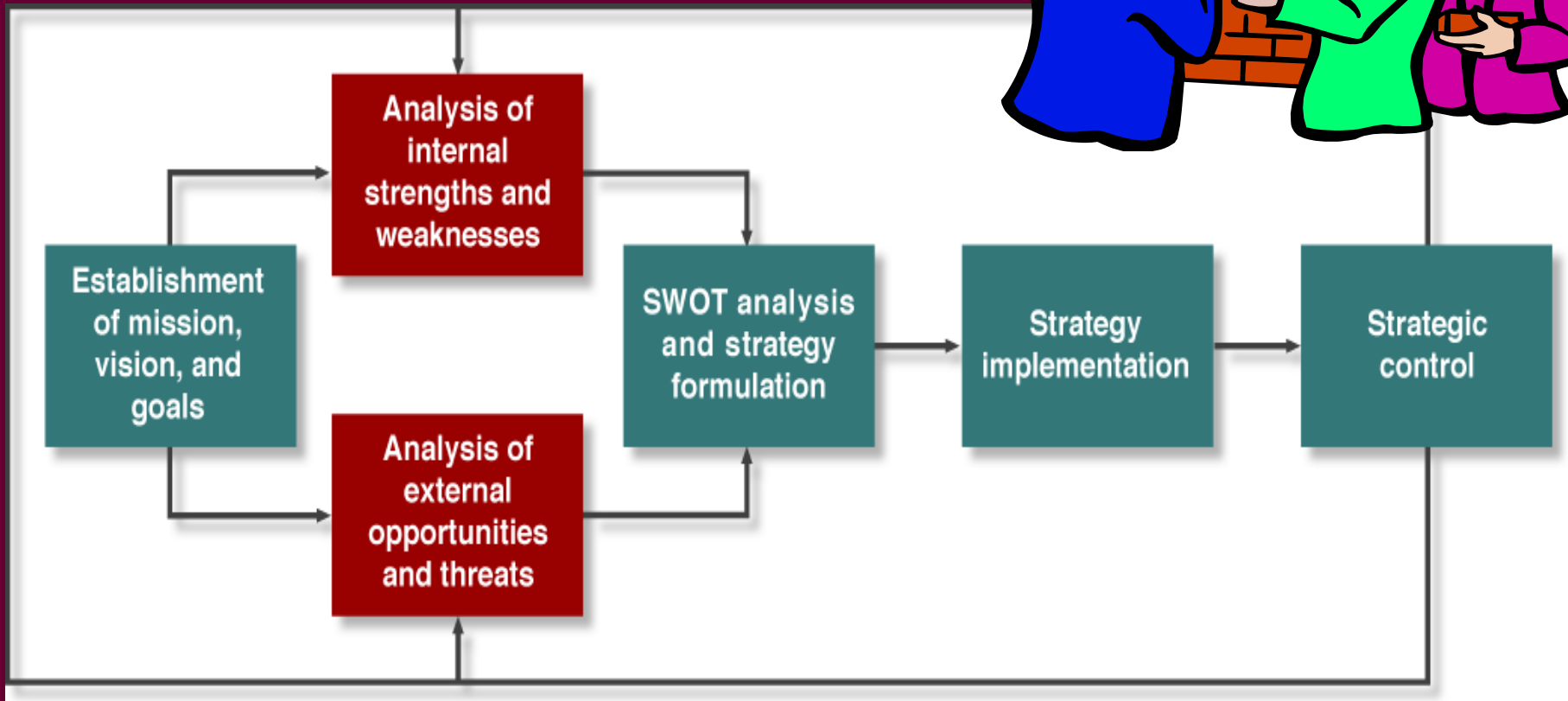
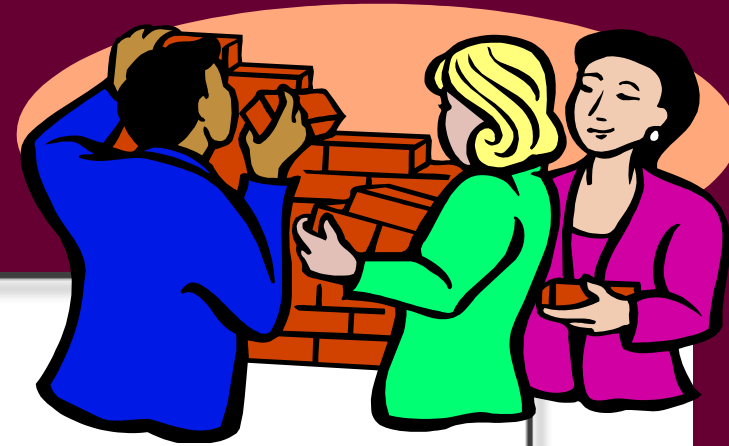
## Strategic Planning

- ❖ Where will we be active?
- ❖ How will we get there?
- ❖ How will we win in the marketplace?
- ❖ How fast will we move and in what sequence will we make changes?
- ❖ How will we obtain financial returns

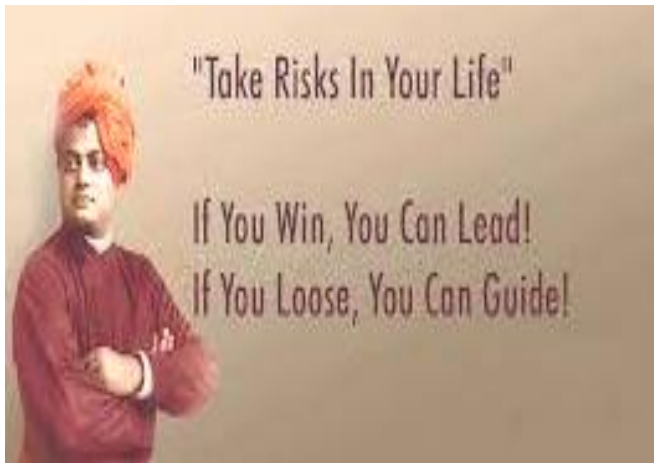
# Strategic management STUDENTSFOCUS.COM

A process that involves managers from all parts of the organization in the formulation and implementation of strategic goals and strategies

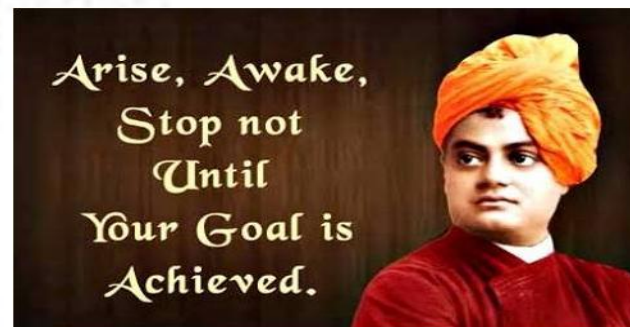
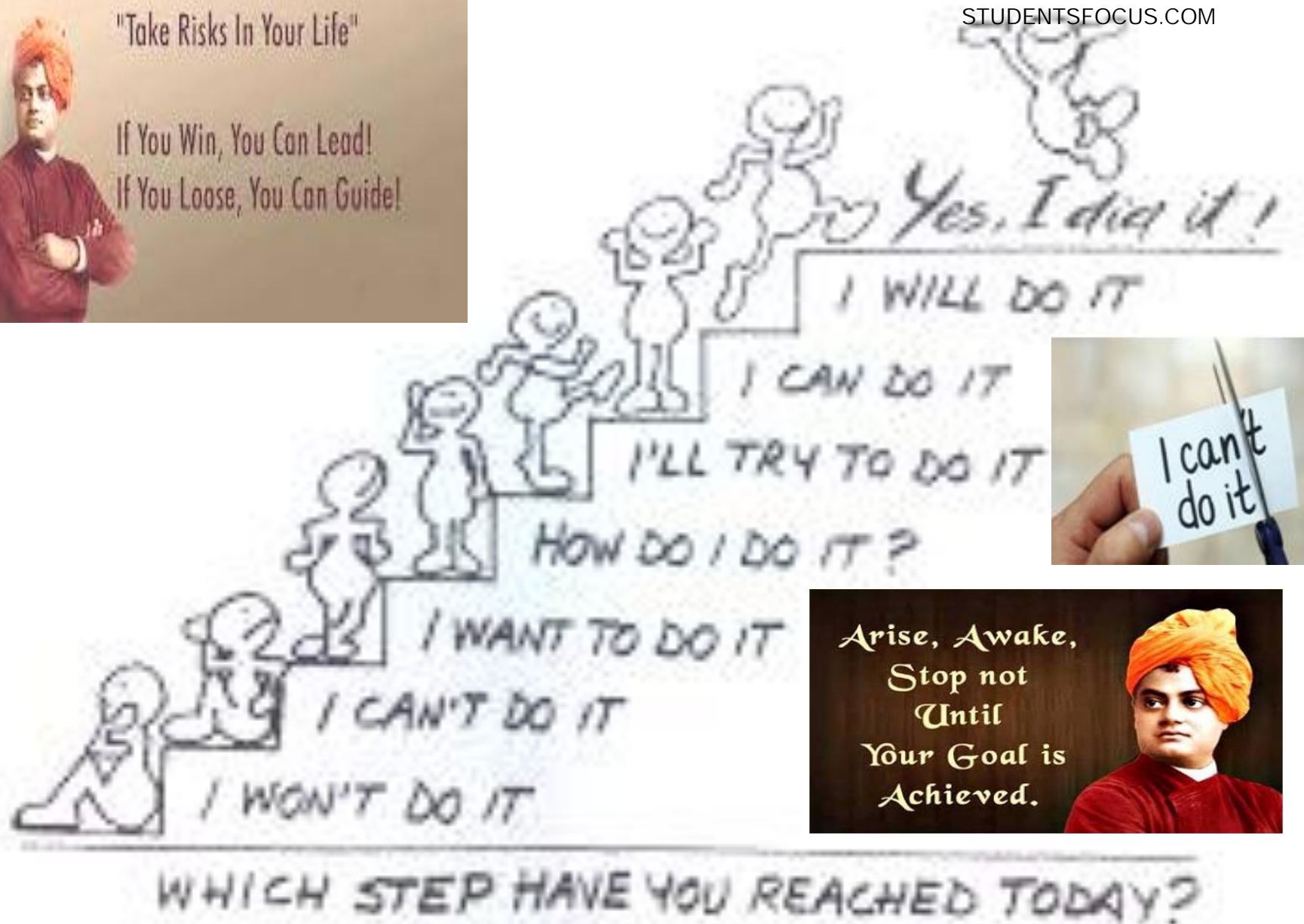
## Strategic Management Process







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# Planning Tools & Techniques for Strategic Management

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Strategic management process has more complex & costly

Growing competitions in many markets & combination of Dimensions is increasing of analysis facing managers.

Strategic managers, variety of tools & techniques have been developed

Important Strategies are

- ✓ SWOT Analysis
- ✓ BCG Matrix
- ✓ Porter's Five force model
- ✓ Gap Analysis
- ✓ Balance score card

# SWOT or TOWS

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**SWOT** Analysis is a strategic planning method used to evaluate the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats involved in a project or in a business venture.

## Importance of SWOT analysis

- ✓ It analyses whether the business is **healthy or sick**.
- ✓ Identifying the internal and external factors that are **favorable and unfavorable** to achieving that objective
- ✓ It helps in the formation of a strategy so as to make preparations for the **possible threats from the competitors**.
- ✓ It helps to evaluate a business environment in a detailed manner so as to take strategic decisions for the future course of action.



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**Internal**



**External**





# **S**trengths

Advantages  
Capabilities  
Resources, Assets, People  
Marketing - reach, distribution, awareness



# **W**eaknesses

Lack of competitive strength  
Financials  
Our vulnerabilities  
Timescales, deadlines and pressures  
Continuity, supply chain robustness



# **O**pportunities

Market developments  
Business and product development



# **T**hreats

Environmental effects  
Market demand  
Obstacles



	<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<p><b>SO Strategies</b></p> <p>Leverage strengths to maximise opportunities</p> <p>Attacking Strategy</p>	<p><b>WO Strategies</b></p> <p>Counter weaknesses through exploiting opportunities</p> <p>Attacking Strategy</p>
<b>Threats</b>	<p><b>ST Strategies</b></p> <p>Leverage Strengths to minimise threats</p> <p>Defensive Strategy</p>	<p><b>WT Strategy</b></p> <p>Counter weaknesses and threats with strengths</p> <p>Strengths for Defensive Strategy</p>



<b>The organisation</b>	<b>Strengths – S</b> 1. Existing brand 2. Existing customer base 3. Existing distribution	<b>Weaknesses – W</b> 1. Brand perception 2. Intermediary use 3. Technology/skills 4. X-channel support
<b>Opportunities – O</b> 1. Cross-selling 2. New markets 3. New services 4. Alliances/Co-branding	<b>SO strategies</b> Leverage strengths to maximise opportunities = <b>Attacking strategy</b>	<b>WO strategies</b> Counter weaknesses through exploiting opportunities = <b>Build strengths for attacking strategy</b>
<b>Threats – T</b> 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	<b>ST strategies</b> Leverage strengths to minimise threats = <b>Defensive strategy</b>	<b>WT strategies</b> Counter weaknesses and threats = <b>Build strengths for defensive strategy</b>

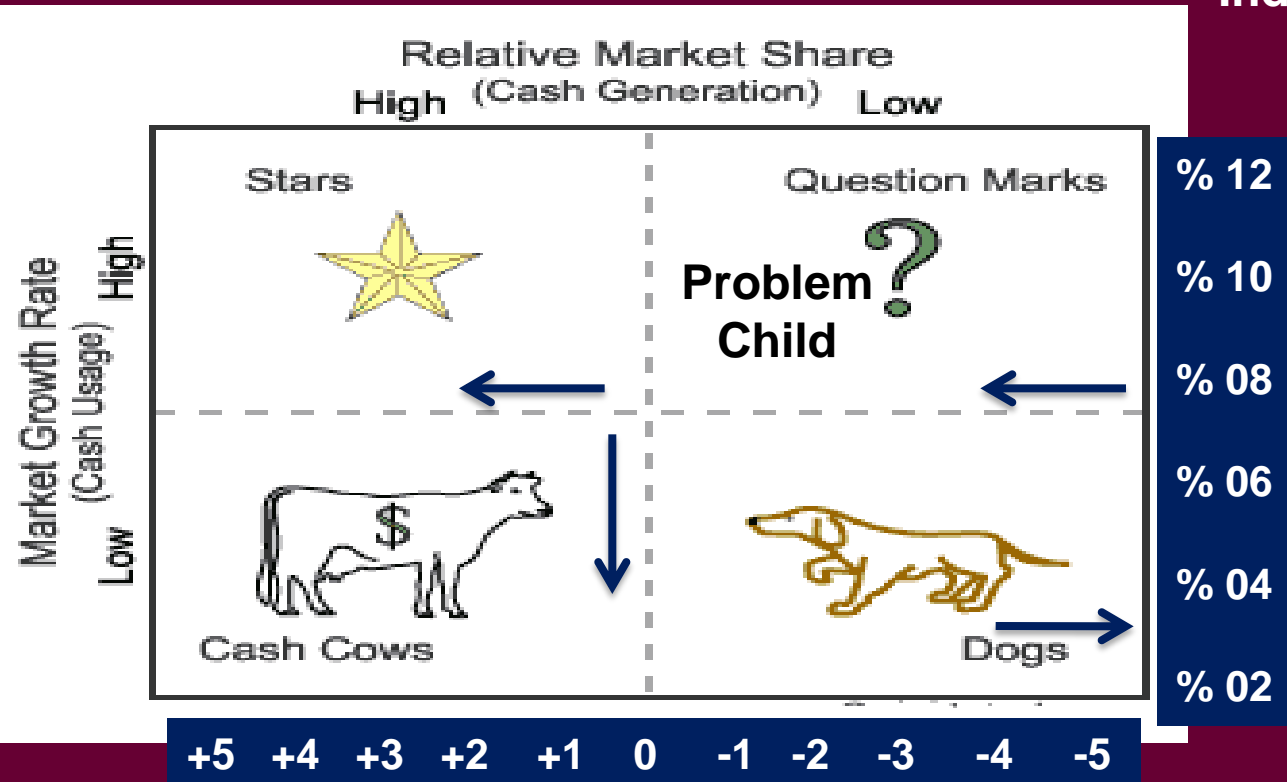
# BCG Matrix

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Boston Consulting Group (BCG) Growth share matrix compare various businesses organization profit on the basis of **relative market share & market growth rate**

$$\text{RMS} = \frac{\text{Business unit sales this year}}{\text{Leading rival sales this year}}$$

$$\text{MGR} = \frac{\text{Individual sales this year} - \text{individual sales last year}}{\text{Individual sales last year}}$$



SBU – Strategic Business Unit , BCG matrix defines four business group

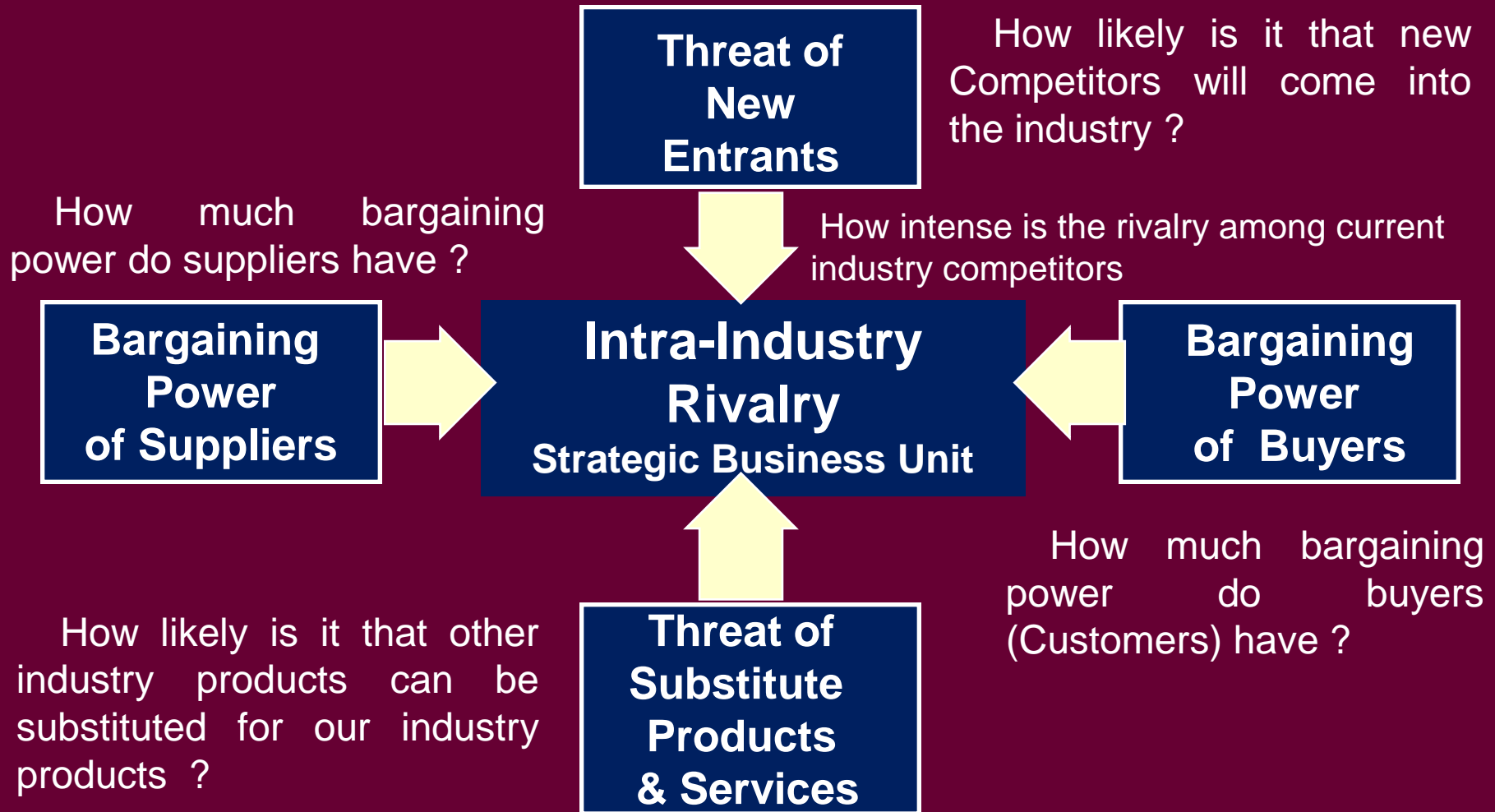
Factors	Question Marks	Stars	Cash cows	Dogs
Cash Flow	Negative	Natural	High Stable	Natural or Negative
Earnings	Low , Unstable, Growing	High stable , Growing	High Stable	Low ,Unstable
Strategy	Analysis to determine whether business can be grown into a star or will degenerate into a dog	Invest for growth	Milk	Divest (Cheat)
	Don't know what to do with opportunities ,decide whether to increase investment	Doing well great opportunities	Doing well in no growth market with limited opportunities	Weak in market , difficult to make profit
Concept	Low Market Share & High Market Growth	High Market Share & High Market Growth	High Market Share & Low Market Growth	Low Market Share & Low Market Growth



# Porter's 5 Forces Competitive Model

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In any industry, 5 forces dictate the rules of competition



A competitive strategy is a strategy for how an organization will compete In its businesses .

## Threat of new entrants

This force examines how easy or difficult it is for competitors to join the market place

## Bargaining Power of Suppliers

This force analyzes how much power a business's supplier has & how much control it has over the potential to raise its prices

## Bargaining Power of Buyers

Power of customers to affect pricing & quality

Buying power is more → Easy to switch from one business products to another

Buying power is low → Customers purchase products in small amounts

## Threat of substitute Products & Services

This force studies

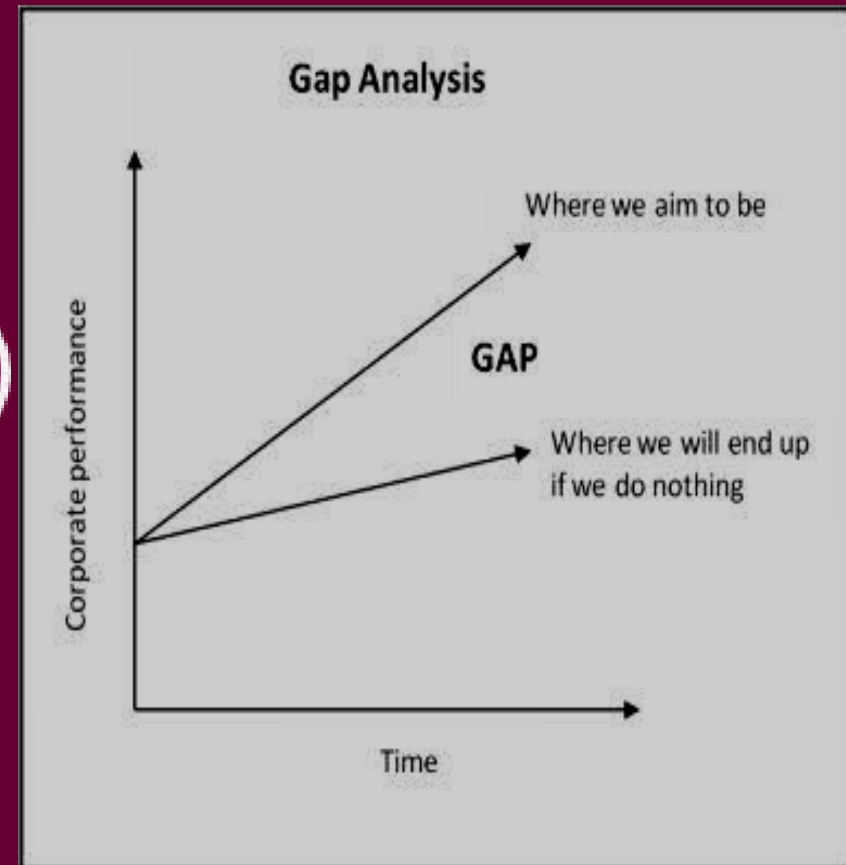
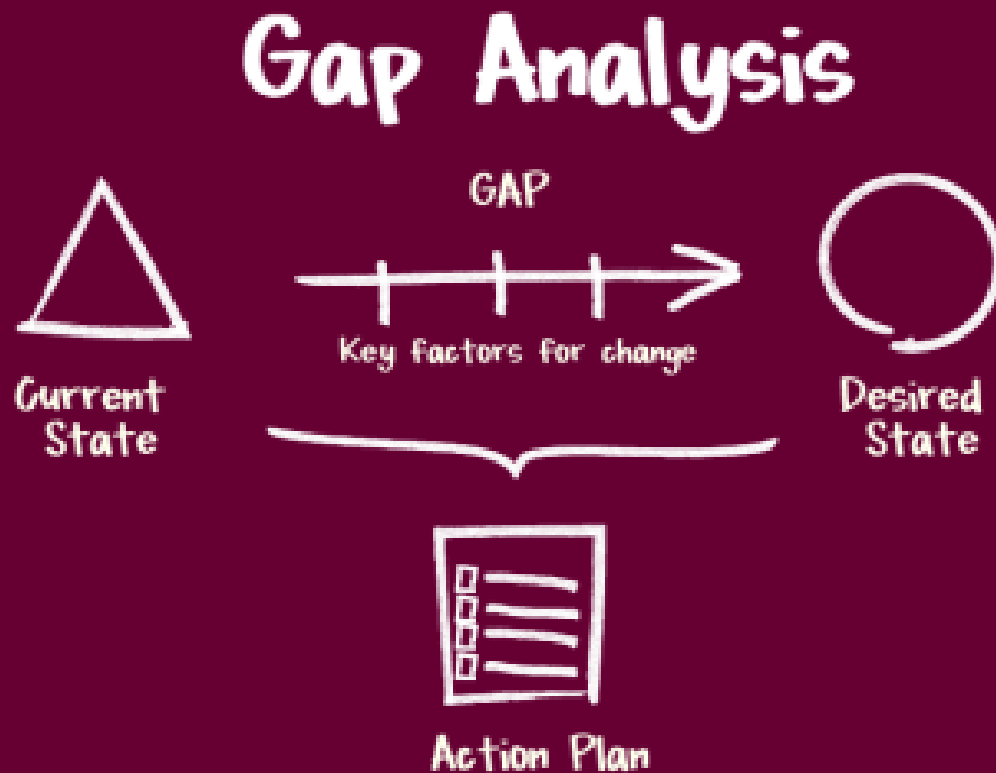
- Consumers to switch from a business product to that of a competitor
- How much competitors there are, How their prices & quality
- How much of a profit those competitors are earning

## Competitive Rivalry

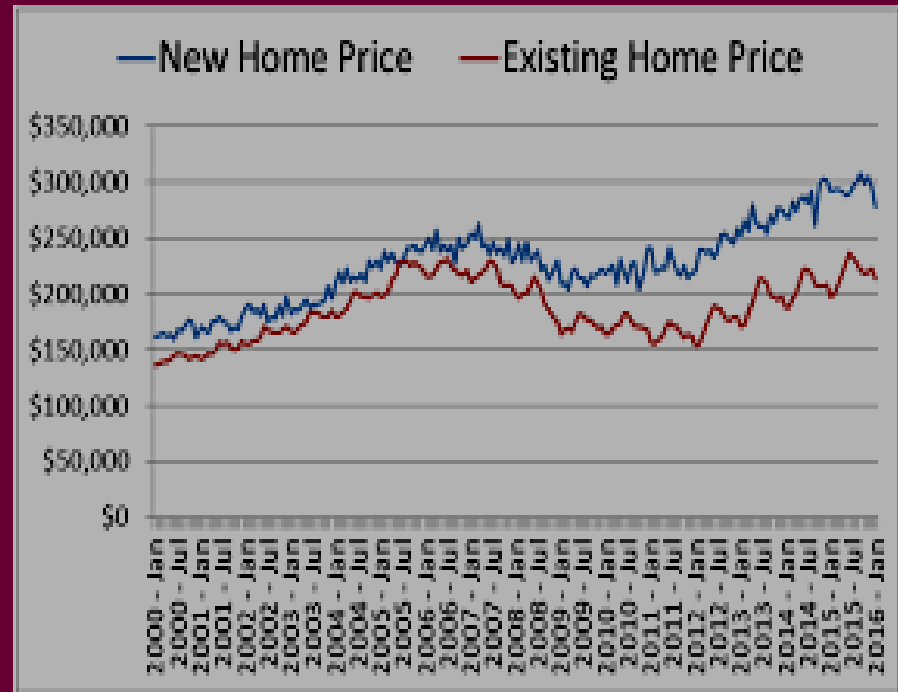
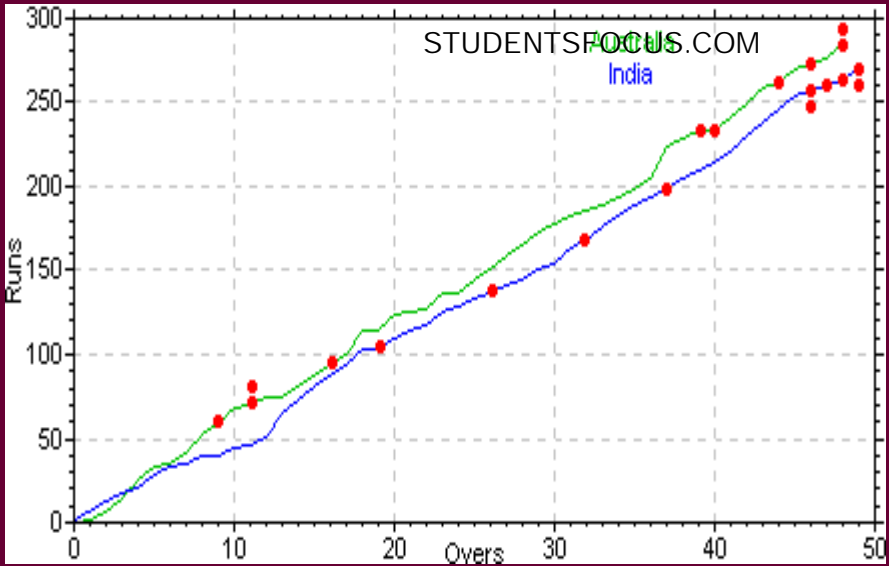
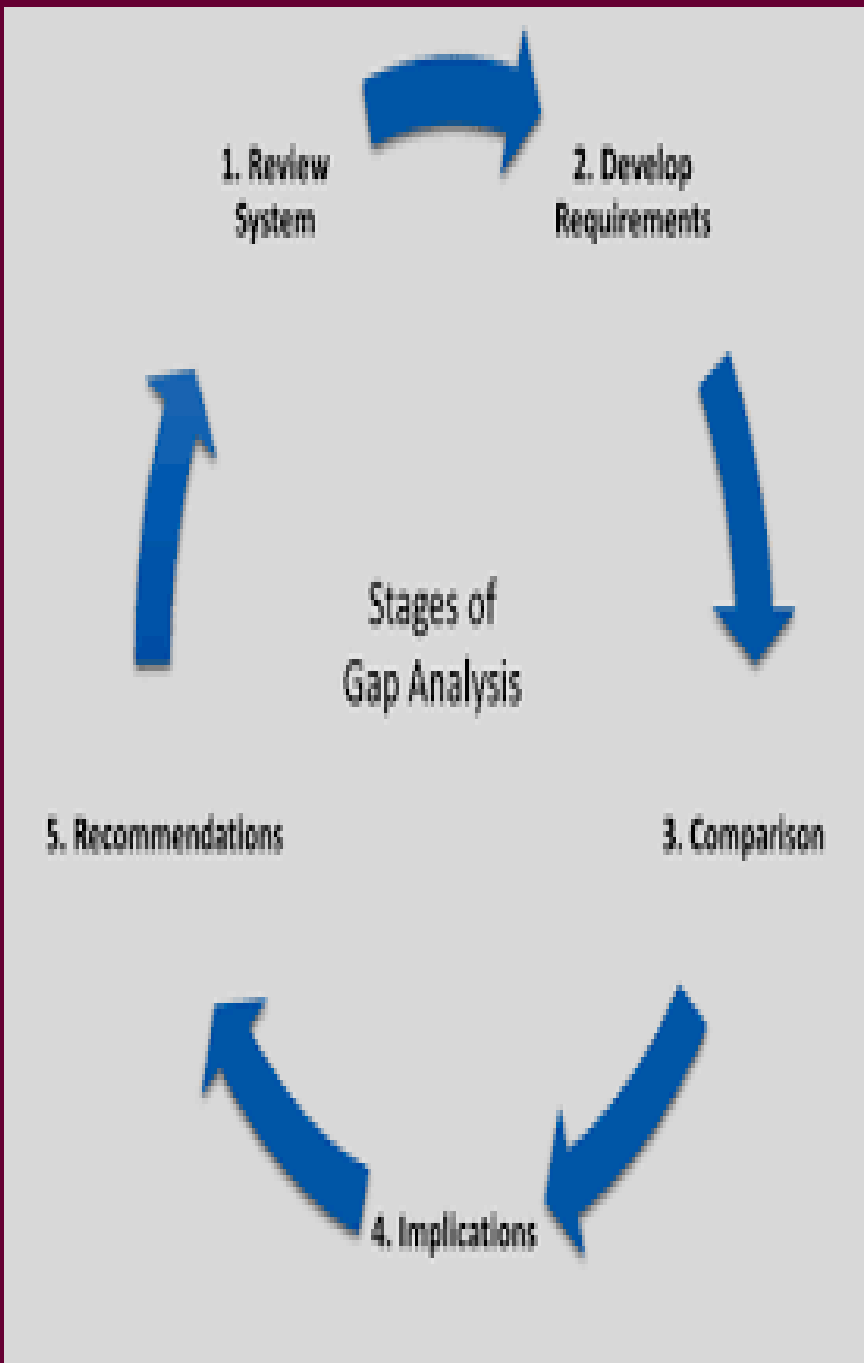
This force examines how intense the competition currently is in the market place [ Rivalry is high → Price wars can develop & industry is growing]

# Gap Analysis

Gap analysis is a tool that organizational managers can use to work out the size, and sometimes to shape of the strategic tasks to be undertaken in order to move from its **current state to a desired or future state**







# Balance scorecard

Balanced scorecard enables organizations to bridge the gap between strategy & actions

- Respond immediately to progress
- Feedback & changing conditions
- It focus financial , customer, internal business process ,learning & growth perspectives
- It focuses on creating & communicating a total comprehensive picture to all members of organization



# Balanced Scorecard

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# Decision Making

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Decision making means to select a course of action from two or more alternatives. It is done to achieve a specific objective or to solve a specific problem

Making effective decisions, as well as recognizing when bad decision has been made & quickly responding to mistakes. It is key component in organization

**It is process of Identifying Opportunities. It is a judgment**



# Importance of Decision making

- ✓ Better utilization of resources  
( All available 6 M resources – Men, Money, Materials ,  
Machines, Methods & Markets)
- ✓ Facing Problems & Challenges  
(Decision making tackle new Problems & Challenges)
- ✓ Business Growth
- ✓ Achieving objectives
- ✓ Increases efficiency
- ✓ Facilities innovation
- ✓ Motivate employees
- ✓ Team Work



**No organizations  
can be run without  
making decisions**

# Types of Decision Making STUDENTSFOCUS.COM

## Programmed Decisions

- ✓ Routine , almost automatic process
- ✓ Managers have made decision many times before
- ✓ There are rules & guidelines to follow
- ✓ Example : Deciding to reorder office supplies

## Non Programmed Decisions

- ✓ Unusual situations
- ✓ Managers have made decision based on information, intuition (feeling – 6<sup>th</sup> Sense) & judgment
- ✓ No rules & guidelines to follow since the decision is new
- ✓ Example : Firm investment in new technology

**Mechanistic Decisions**

**Analytical Decisions**

**Judgmental Decisions**

**Adaptive Decisions**



# Steps in Decision Making Process

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## Step 1 : Defining & analyzing the problem

✓ Identify the real problem separately from its symptoms

### Symptoms

1. Low profits/declining sales
2. High cost
3. Low morale
4. High employee turnover

### Underlying Problems

Poor market research  
Poor design process,  
poorly trained employees  
Lack of communication between  
management and subordinates  
Rate of pay too low,  
job design not suitable



“ A successful manager doesn't just attack symptoms;  
He works to uncover the factors that cause these symptoms”

## Step 2 :Developing alternative solutions

- ✓ Make Different solutions for solving the problem
- ✓ one of the best methods for developing alternatives is through **Brainstorming**

Brainstorming → where a group works together to generate ideas and alternative solutions



## Step 3 :Evaluating the alternative solutions

- ✓ Should carefully evaluate the merits & demerits of each alternative
- ✓ Should compare the cost ,risk & practicability



## Step 4 : Selecting the best solution

- ✓ Should select the best solution which is less costly & less risky
- ✓ And also solution must be feasible & accepted by employees
- ✓ The best solution is called **Decision**



## Step 5 : Implementing the Decision

- ✓ Should communicate the decision to the employees
- ✓ Provide all resources to employees
- ✓ Should involving them in the decision making process





## Step 6 : Follow up & Corrective Action

- ✓ Must do follow up
- ✓ Must get the feedback about the decision
- ✓ Find whether decision was effective or not
- ✓ Finding out the deviations, taking essential steps to remove these deviations
- ✓ Follow up is just like the control function. It helps to improve the quality of future decisions



## Limitations of Decision making

- ✓ Compromised decisions → It may not be correct or Bold
- ✓ Subjective (Group than individual) decisions
- ✓ Biased decisions → Benefit himself & his group
- ✓ Uncontrollable Environmental factors
- ✓ Responsibility is diluted → Everybody's responsibility is nobody responsibility

## Decision making under different conditions

