

Unit II

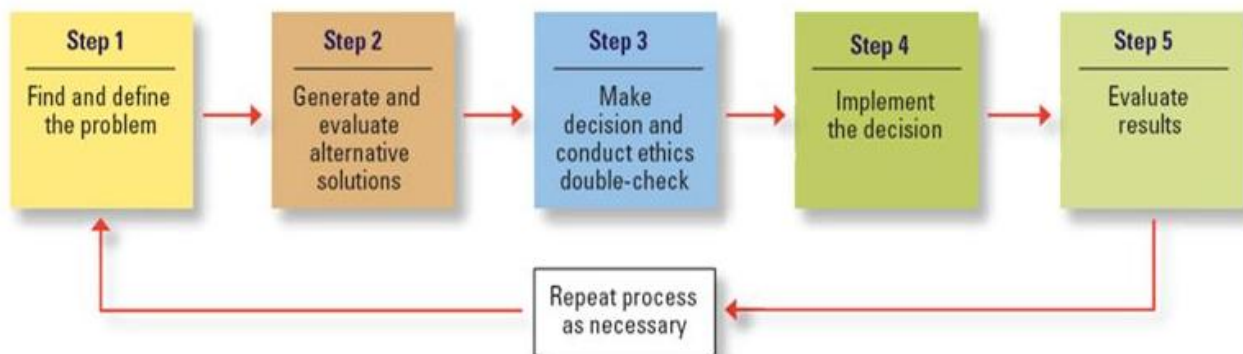
- **Decision Making - Process of Decision Making - Types of Decisions**
 - **Importance of Technology and Workplace**
 - **Planning - Types of Plans - Planning Process - Planning tools and techniques**
 - **Management by objectives (MBO)**
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Decision Making

The thought process of selecting a logical choice from the available options. When trying to make a good decision, a person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

Process of Decision Making

The most effective method uses both rational and intuitive or creative approaches. There are five steps in the process:



1. Identify the problem
2. Search for alternatives and Weigh the alternative
3. Make a choice
4. Implement the choice
5. Evaluate the results and, if necessary, start the process again

Identify the problem

To solve a problem, you must first determine what the problem actually is. You may think you know, but you need to check it out. Sometimes, it is easy to focus on symptoms, not causes. You use a rational approach to determine what the problem is. The questions you might ask include:

- What have I (or others) observed?
- What was I (or others) doing at the time the problem occurred?

- Is this a problem in itself or a symptom of a deeper, underlying problem?
- What information do I need?
- What have we already tried to address this problem?

For example, the apprentice you supervise comes to you saying that the electric warming oven is not working properly. Before you call a repair technician, you may want to ask a few questions. You may want to find out what the apprentice means by “not working properly.” Does he or she know how to operate the equipment? Did he or she check that the equipment was plugged in? Was the fuse or circuit breaker checked? When did it last work?

You may be able to avoid an expensive service call. At the very least, you will be able to provide valuable information to the repair technician that aids in the troubleshooting process.

Of course, many of the problems that you will face in the kitchen are much more complex than a malfunctioning oven. You may have to deal with problems such as:

- Discrepancies between actual and expected food costs
- Labour costs that have to be reduced
- Lack of budget to complete needed renovations in the kitchen
- Disputes between staff

However, the basic problem-solving process remains the same even if the problems identified differ. In fact, the more complex the problem is, the more important it is to be methodical in your problem-solving approach.

Search for alternatives

It may seem obvious what you have to do to address the problem. Occasionally, this is true, but most times, it is important to identify possible alternatives. This is where the creative side of problem solving really comes in.

Brainstorming with a group can be an excellent tool for identifying potential alternatives. Think of as many possibilities as possible. Write down these ideas, even if they seem somewhat zany or offbeat on first impression. Sometimes really silly ideas can contain the germ of a superb solution. Too often, people move too quickly into making a choice without really considering all of the options. Spending more time searching for alternatives and weighing their consequences can really pay off.

Weigh the alternatives

Once a number of ideas have been generated, you need to assess each of them to see how effective they might be in addressing the problem. Consider the following factors:

- Impact on the organization
- Effect on public relations
- Impact on employees and organizational climate
- Cost
- Legality
- Ethics of actions
- Whether this course is permitted under collective agreements
- Whether this idea can be used to build on another idea

Make a choice

Some individuals and groups avoid making decisions. Not making a decision is in itself a decision. By postponing a decision, you may eliminate a number of options and

alternatives. You lose control over the situation. In some cases, a problem can escalate if it is not dealt with promptly. For example, if you do not handle customer complaints promptly, the customer is likely to become even more annoyed. You will have to work much harder to get a satisfactory solution.

Implement the decision

Once you have made a decision, it must be implemented. With major decisions, this may involve detailed planning to ensure that all parts of the operation are informed of their part in the change. The kitchen may need a redesign and new equipment. Employees may need additional training. You may have to plan for a short-term closure while the necessary changes are being made. You will have to inform your customers of the closure.

Evaluate the outcome

Whenever you have implemented a decision, you need to evaluate the results. The outcomes may give valuable advice about the decision-making process, the appropriateness of the choice, and the implementation process itself. This information will be useful in improving the company's response the next time a similar decision has to be made.

Types of Decision Making

1. Programmed Decisions
2. Non-programmed Decisions

Programmed Decision are routine or repetitive decision that can be handled by established business rules or procedures. These types of decisions are often called for at certain points in a standard process, and are decided based on recognized and easily identifiable factors.

Non-programmed decisions are used for new, unstructured and badly defined problems, which are non-recurring. These decisions require subjective judgement. The top-level of management makes these decisions.

| Characteristics | Programmed Decisions | Non Programmed Decisions |
|-------------------------|-------------------------------|---------------------------------|
| Type of Problem | Structured | Unstructured |
| Managerial Level | Lower Level | Upper Level |
| Frequency | Repetitive | New, unusual |
| Information | Readily available | Ambiguous or Incomplete |
| Time frame for solution | Short | Relatively long |
| Solution relies on | Procedure, Rules and Policies | Judgement and Creativity |

Importance of Technology in Workplace

Make Your Business More Efficient

At its most basic level, technology allows you and your employees to be more productive and efficient. Whether you're using a word processing program that allows you to edit with ease or an electronic bookkeeping system that pulls data at the touch of a keystroke, technology makes life easier. You can schedule sales calls and appointments, track employee time, and perform many tedious tasks that once took hours in only minutes.

Ensure Computational Accuracy

When it comes to business, you can't stay in business if you don't have the numbers right. Modern spreadsheets like Excel, with its hundreds of computational formulas, help ensure accuracy. Accounting programs like QuickBooks allow you to accurately keep inventory, make and record sales, manage and pay bills, and handle payroll. Consider the time and cost once required to compile financial information. Now, your books can be regularly maintained in a software program and your financial statements can be generated in moments.

Be Competitive In the Marketplace

Whatever product or service you provide, you need to compete. Your competitors use technology, so you need to as well. The internet allows you to do more than just stay neck and neck with other businesses; it can push you ahead. Use digital marketing to promote your company and online sales tools to sell across the street and across the globe. Embrace Customer Relationship Management (CRM) systems that allow you to track what your customers do and like. Wouldn't it be great if you could target the right customer at the right time in the consumer journey so they turn to you instead of a competitor? You can with technology.

Be Industry Relevant

Regardless of your industry or profession, there is technology honed to make what you do easier. If you work in health care, there are countless technologies that save lives, protect patient privacy rights, and make sure providers get paid through insurance. If you're a farmer, engineering marvels and robotics will help you maintain crops and improve yield. For a composer, there's Pro Tools, a digital audio recording system. A teacher who is looking to impact the next generation of great thinkers won't be able to do it without technology.

Communicate More Effectively

Whether you instant message or use Slack with a co-worker across the hall or Skype with clients across the ocean, technology has made connecting in real time easier than ever. Follow up that voice or FaceTime call with an email to recap and clarify. Connect on LinkedIn to network interoffice and interindustry. Use Facebook, Instagram and Twitter to communicate directly with your customers. Create and promote your brand and get your message directly to the consumer.

Planning

Planning is the fundamental management function, which involves deciding beforehand, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an intellectual process which lays down an organisation's objectives and develops various courses of action, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

Type of Plans

Objectives

This is the first step in planning the action plan of the organization. Objectives are the basics of every company and the desired objective/result that the company plans on achieving, so they are the endpoint of every planning activity.

For example one of the objectives of an organization could be to increase sales by 20%. So the manager will plan all activities of the organization with this end objective in mind. While framing the objectives of the organization some points should be kept in mind.

- Objectives should be framed for a single activity in mind.
- They should be result oriented. The objective must not frame any actions
- Objectives should not be vague, they should be quantitative and measurable.
- They should not be unrealistic. Objectives must be achievable.

Strategy

This obviously is the next type of plan, the next step that follows objectives. A strategy is a complete and all-inclusive plan for achieving said objectives. A strategy is a plan that has three specific dimensions

- I. Establishing long-term objectives
- II. Selecting a specific course of action
- III. allocating the necessary resources needed for the plan

Forming strategy is generally reserved for the top level of management. It actually defines all future decisions and the company's long-term scope and general direction.

Policy

Policies are generic statements, which are basically a guide to channelize energies towards a particular strategy. It is an organization's general way of understanding, interpreting and implementing strategies. Like for example, most companies have a return policy or recruitment policy or pricing policy etc.

Policies are made across all levels of management, from major policies at the top-most level to minor policies. The managers need to form policies to help the employees navigate a situation with predetermined decisions. They also help employees to make decisions in unexpected situations.

Procedure

Procedures are the next types of plan. They are a stepwise guide for the routine to carry out the activities. These stepwise sequences are to be followed by all the employees so the activities can be fulfilled in an organized manner.

The procedures are described in a chronological order. So when the employees follow the instructions in the order and completely, the success of the activity is pretty much guaranteed.

Take for example the procedure of admission of a student in a college. The procedure starts with filling out an application form. It will be followed by a collection of documents and sorting the applications accordingly.

Rules

Rules are very specific statements that define an action or non-action. Also, rules allow for no flexibility at all, they are final. All employees of the organization must compulsorily follow and implement the rules. Not following rules can have severe consequences.

Rules create an environment of discipline in the organization. They guide the actions and the behaviour of all the employees of the organization. The rule of “no smoking” is one such example.

Program

Programmes are an in-depth statement that outlines a company’s policies, rules, objectives, procedures etc. These programmes are important in the implementation of all types of plan. They create a link between the company’s objectives, procedures and rules.

Primary programmes are made at the top level of management. To support the primary program all managers will make other programs at the middle and lower levels of management.

Methods

Methods prescribe the ways in which in which specific tasks of a procedure must be performed. Also, methods are very specific and detailed instructions on how the employees must perform every task of the planned procedure. So managers form methods to formalize routine jobs.

Methods are very important types of plan for an organization. They help in the following ways

- give clear instructions to the employees, removes any confusion
- Ensures uniformity in the actions of the employees
- Standardizes the routine jobs
- Acts as an overall guide for the employees and the managers

Budget

A budget is a statement of expected results the managers expect from the company. Budgets are also a quantitative statement, so they are expressed in numerical terms. A budget quantifies the forecast or future of the organization.

There are many types of budgets that managers make. There is the obvious financial budget, that forecasts the profit of the company. Then there are operational budgets generally prepared by lower-level managers. Cash budgets monitor the cash inflows and outflows of the company.

Planning Process

The planning process begins with an organisation identifying specific outcomes that it wishes to achieve. It may set different targets depending on the environment it encounters, especially where the environment is uncertain or changing rapidly. This 'what-if' or scenario planning is practised by an increasing number of organisations. Organisations may also include in their plans action to help shape or stabilize the environment. Such action could include lobbying governments locally and overseas, creating industry networks, or philanthropy. The organisation's **plan** is a statement of the actual steps required to achieve its objectives. There are five sequential action steps in the systematic planning process.

1. Define your objectives. Identify desired outcomes or results in very specific ways. Know where you want to go; be specific enough that you will know you have arrived when you get there or know how far off the mark you are at various points along the way.

2. Determine where you currently stand in relation to objectives. Evaluate current accomplishments relative to the desired results. Know where you stand in reaching the objectives; know what strengths work in your favour and what weaknesses may hold you back.

3. Develop perspectives regarding future conditions. Try to forecast potential future events. Generate alternative 'scenarios' for what may happen; identify for each scenario things that may help or hinder progress towards your objectives. Systematically vary the drivers for each scenario to determine possible outcomes.

4. Analyse and choose among action alternatives. List and carefully evaluate the possible actions that may be taken. Choose the alternative(s) most likely to accomplish your objectives; describe step by step what must be done to follow the chosen course of action.

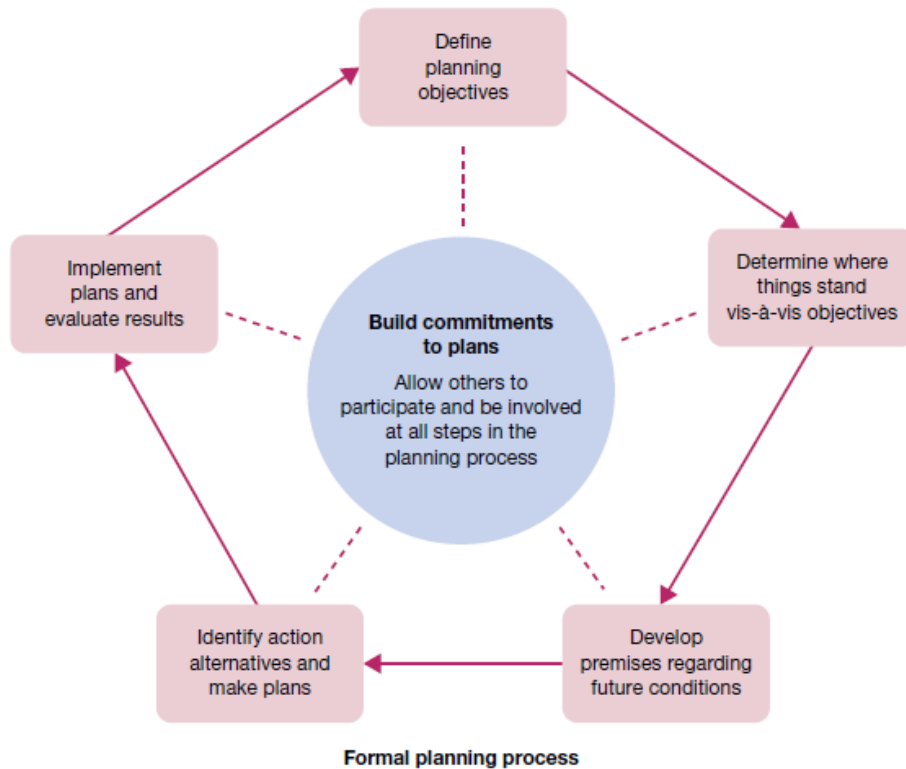


Fig 2.4.1 How participation and involvement help build commitments to plans

| Characteristic | Explanation |
|-------------------|---|
| Specific | Objectives need to be clearly defined so that it easy to understand what is to be achieved and what will be considered successful. |
| Measurable | The exact measure must be stated and the objective must be able to be measured through some means. |
| Actionable | An organisation needs to ensure that its business-unit managers have the authority and resources to take the actions necessary to attempt to achieve the objectives that are set. |
| Reasonable | There is no point setting unrealistic objectives. Unrealistic objectives are a disincentive for both managers and their employees. |
| Timetabled | Objectives should have milestone dates or deadlines at which progress towards achieving them will be measured. |

Fig 2.4.2 The SMART model of establishing effective organisational objectives

5. *Implement the plan and evaluate results.* Take action and carefully measure your progress towards objectives.

Do what the plan requires; evaluate results; take corrective action, and revise plans as needed. The planning process described is an application of the decision-making process introduced in the chapter on information and decision-making. It is a systematic way to approach two important tasks: setting performance objectives, and deciding how to best achieve them. Importantly, in the complex setting of the modern workplace this is not a process that managers do while working alone in quiet rooms, free from distractions, and at scheduled times. Rather, planning should be part of a manager's everyday work routine. It should be an ongoing activity that is done continuously even while dealing with an otherwise hectic and demanding work setting.⁶ Importantly, the best planning in

management always involves those people whose work efforts will eventually determine whether the objectives are accomplished.

1. Features Of Planning

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.

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".

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.

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.

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.

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.

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.

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.

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.

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.

2.4.2 Importance Of Planning

Increases efficiency: Planning makes optimum utilization of all available resources. It helps to reduce the wastage of valuable resources and avoids their duplication. It aims to give the highest returns at the lowest possible cost. It thus increases the overall efficiency.

Reduces business-related risks: There are many risks involved in any modern business. Planning helps to forecast these business-related risks. It also helps to take the necessary precautions to avoid these risks and prepare for future uncertainties in advance. Thus, it reduces business risks.

Facilitates proper coordination: Often, the plans of all departments of an organization are well coordinated with each other. Similarly, the short-term, medium-term and long-term plans of an organization are also coordinated with each other. Such proper coordination is possible only because of efficient planning.

Aids in Organizing: Organizing means to bring together all available resources, i.e. 6 Ms. Organizing is not possible without planning. It is so, since, planning tells us the number of resources required and when are they needed. It means that planning aids in organizing in an efficient way.

Gives right direction: Direction means to give proper information, accurate instructions and useful guidance to the subordinates. It is impossible without planning. It is because planning tells us what to do, how to do it and when to do it. Therefore, planning helps to give the right direction.

Keeps good control: With control, the actual performance of an employee is compared with the plans, and deviations (if any) are found out and corrected. It is impossible to achieve such control without the right planning. Therefore, planning becomes necessary to keep good control.

Helps to achieve objectives: Every organization has certain objectives or targets. It keeps working hard to fulfill these goals. Planning helps an organization to achieve these aims, but with some ease and promptness. Planning also helps an organization to avoid doing some random (done by chance) activities.

Motivates personnel: A good plan provides various financial and non-financial incentives to both managers and employees. These incentives motivate them to work hard and achieve the objectives of the organization. Thus, planning through various incentives helps to motivate the personnel of an organization.

Encourages creativity and innovation: Planning helps managers to express their creativity and innovation. It brings satisfaction to the managers and eventually a success to the organization.

Helps in decision-making: A manager makes many different plans. Then the manager selects or chooses the best of all available strategies. Making a selection or choosing something means to take a decision. So, decision-making is facilitated by planning.

Tools, techniques and processes

Today's planners use a broad array of planning tools, techniques and processes. These include forecasting, specific contingency planning, benchmarking, participatory or team-based planning, and staff planners.

Forecasting

A forecast is a vision of the future. Forecasting is the process of making assumptions about what will happen in the future.¹⁵ All good plans involve forecasts, either implicit or explicit. Some forecasts are based on *qualitative forecasting*, which uses expert opinions to predict the future. In this case, a single person of special expertise or reputation or a panel of experts may be consulted. Others involve *quantitative forecasting* that uses mathematical and statistical analysis of data banks to predict future events. Time-series analysis makes predictions by using statistical routines such as regression analysis to project past trends into the future. General economic trends are often forecast by econometric models that simulate events and make predictions based on relationships discovered among variables in the models. Statistical analysis of opinion polls and attitude surveys, such as those reported in newspapers and on television, is typically used to predict future consumer tastes, employee preferences and political choices, among other issues. In the final analysis, forecasting always relies on human judgement.

Contingency planning

Activity undertaken to ensure that proper and immediate follow-up steps will be taken by a management and employees in an emergency. Its major objectives are to ensure (1) containment of damage or injury to, or loss of, personnel and property, and (2) continuity of the key operations of the organization. Contingency planning identifies alternative courses of action that can be implemented if and when an original plan proves inadequate because of changing circumstances.

Scenario planning and contingency planning

Scenario planning is the long-term version of contingency planning. Identifying a range of different possible future scenarios helps organisations operate more flexibly and respond more rapidly in uncertain and changing environments.

Benefits of scenario planning

Scenario planning is not forecasting what planners think will happen. Rather, it consists of developing possible plausible scenarios of the future, with reference to a particular firm, that make different assumptions about forces driving the market and including different uncertainties.¹⁶ This allows the manager or planner to consider how these environmental uncertainties might affect the firm's strategy, and thus to plan for such eventualities should they occur.

Scenario planning improves focus and flexibility

Scenario planning improves action orientation

Scenario planning improves coordination

Scenario planning improves time management

Scenario planning improves control

Benchmarking

Another important influence on the success or failure of planning involves the frame of reference used as a starting point. All too often planners have only a limited awareness of what is happening outside the immediate work setting. Successful planning must challenge the status quo; it cannot simply accept things the way they are. One way to do this is through benchmarking, a technique that makes use of external comparisons to better evaluate an organisation's current performance and identify possible actions for the future. The purpose of benchmarking is to find out what other people and organizations are doing very well and then to plan how to incorporate these ideas into your organisation's operations. This powerful planning technique is increasingly popular in today's competitive business world. It is a way for progressive companies to learn from other 'excellent' companies, not just competitors. It allows them to analyse and thoroughly compare all systems and processes for efficiencies and opportunities for innovation.

Staff planners

As the planning needs of organisations grow, there is a corresponding need to increase the sophistication of the overall planning system itself. In some cases, staff planners are employed to help coordinate planning for the organisation as a whole or for one of its major components. These planners should be skilled in all steps of the formal planning process, including the benchmarking and scenario-planning approaches just discussed. They should also understand the advisory nature of their roles. Given clear responsibilities and their special planning expertise, staff planners can bring focus to efforts to accomplish important planning tasks. But one risk is a tendency for a communication 'gap' to develop between staff planners and line managers. This can cause a great deal of difficulty. Resulting plans may lack relevance, and line personnel may lack commitment to implement them even if they are relevant. One trend in organisations today is to de-emphasise the role of large staff planning groups and to place much greater emphasis on the participation and involvement of line managers in the planning process.

Management by objectives

Definition: Management by Objectives (MBO) or otherwise called as Management by Results (MBR) is management philosophy which was first propounded by **Peter F. Drucker** in the year **1954**, in his book "**Practice of Management**".

A useful planning technique that helps integrate planning and controlling is management by objectives, or just MBO. This is a structured process of regular communication in which a manager or team leader works with staff or team members to jointly set performance objectives and review results accomplished. MBO creates an agreement between the two parties regarding:

1. Performance objectives for a given time period
2. Plans through which they will be accomplished
3. Standards for measuring whether they have been accomplished
4. Procedures for reviewing performance results.

Of course, both parties in any MBO agreement are supposed to work closely together to fulfil the terms of the agreement.

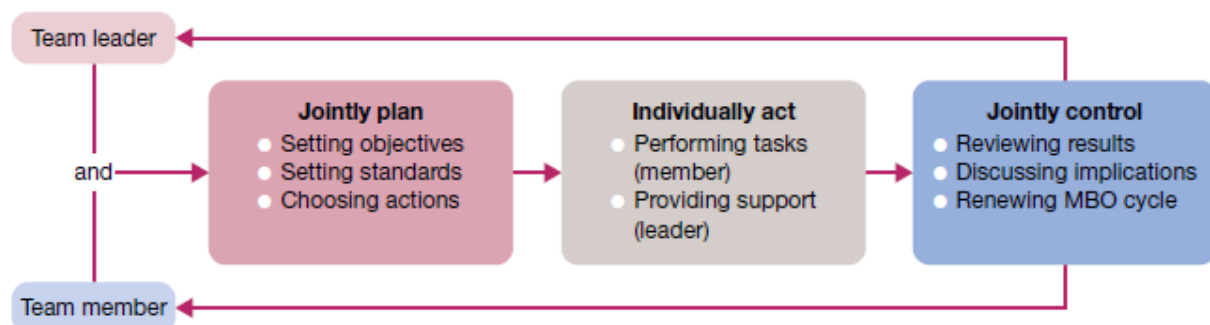


Fig 2.5.1 Performance objectives in MBO

Participation and involvement

Planning is a process, not an event, and ‘participation’ is a key component of the planning process. Participatory planning means that the process includes people who will be affected by the resulting plans and/or who will be asked to help implement them. This brings to the organisation many benefits. Participation can increase the creativity and information available for planning. It can also increase the understanding, acceptance and commitment of people to final plans. Indeed, planning should be organized and accomplished in a participatory manner that includes the contributions of many people representing diverse responsibilities and vantage points. This includes the level of strategic planning, once considered only the province of top management. The more aware all levels are of strategic plans and the more they are involved in helping to establish them, the greater the commitment throughout the organisation to their accomplishment.
