

Management and Entrepreneurship for IT

Chapter – 1 **Management**

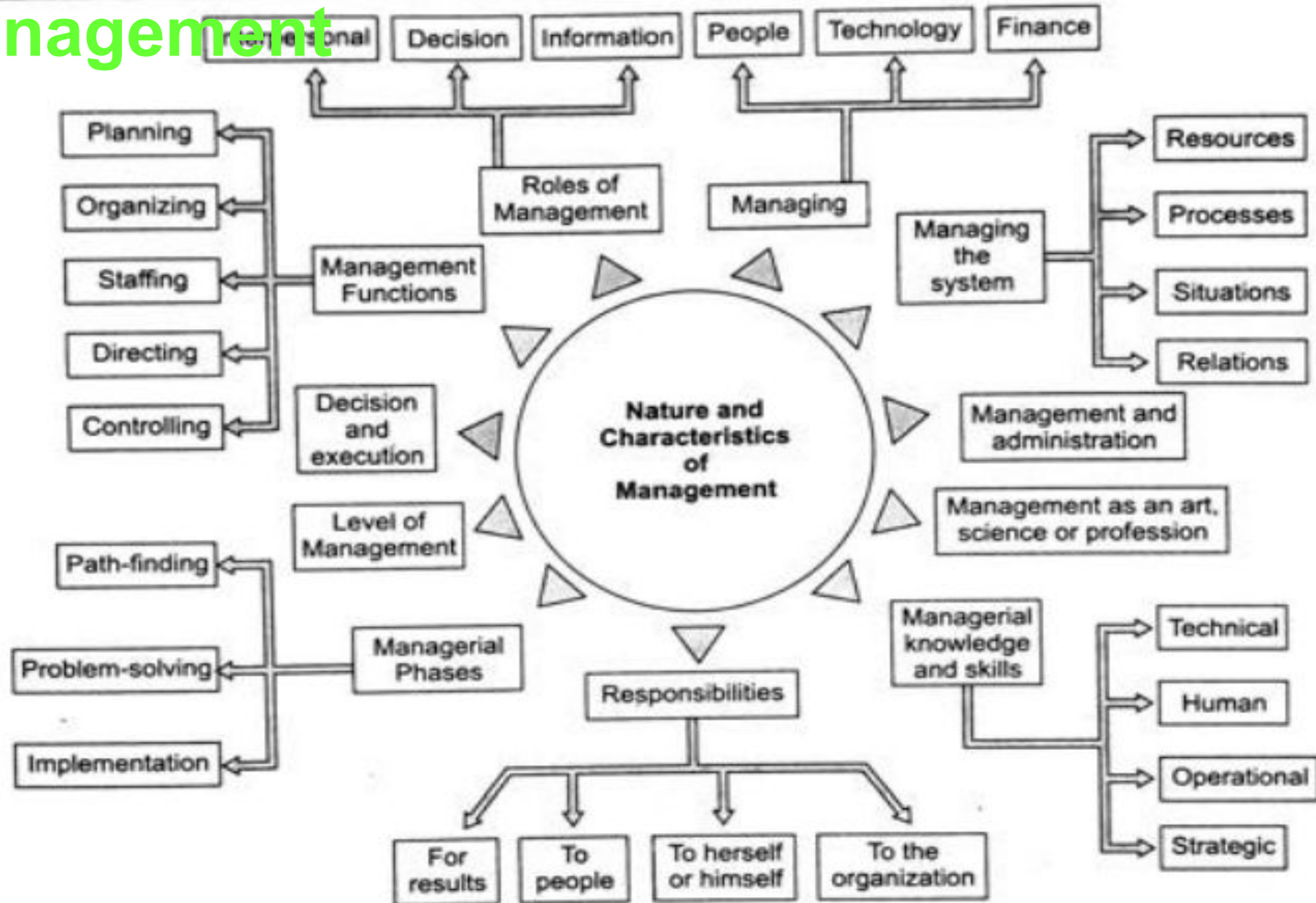
•Meaning:

- “Management is the art of getting things done through people”Mary Parker Follett(1868-1933)
- “Management cannot be defined or understood-let alone practiced- except in terms of its performance dimensions and of the demands of the performance on it”.. Drucker 1973
- “Management is the process of planning, organising, actuating and controlling to determine and accomplish the objectives by the use of people and resources”Terry G.

Importance of Management

- Optimum use of resources
- Effective leadership and motivation
- Establishes sound industrial relations
- Achievement of goals
- Change and growth
- Improve standard of living.

Nature and Characteristics of Management



Nature and Characteristics of Management

Management as a Science, Art or Profession?

□ Elements of Science

- Systematic study of knowledge
- Scientific inquiry and Observation
- Experimentation
- Universal truths

□ Elements of Art

- Application of Knowledge
- Doing things creatively
- Personalized skill
- Perfection through practice

Management: Science as well as Art

- Art of management is as old as civilization.
- Science of management is young and developing
- Both are complementary & mutually supportive

Management: Science as well as Art

- According to Peter Drucker:

“Every organization has the same resources to work with. It is the quality of management that spells the difference between success and failure”.

- Ability to solve problems requires sound knowledge & constant practice

Management as a Profession

□ Essential features of profession:

- Well defined body of knowledge
- Formal education and training
- Minimum qualification
- Representative body
- Service above self
- Ethical code of conduct

1. Well-Defined Body of Knowledge:

- Every profession is based on a specialized, organized, and extensive knowledge base, acquired through years of study, research, and practice.
- This knowledge forms the foundation for decision-making and problem-solving within the field.
- Professionals need to keep updating their knowledge to stay relevant.

2. Formal Education and Training:

- A profession requires systematic and formal education, usually at universities or accredited institutions.
- This education ensures that individuals have the necessary theoretical knowledge and practical skills before entering the profession.
- For example, doctors and engineers undergo rigorous training specific to their fields.

3. Minimum Qualification:

- Every profession sets a minimum qualification standard that individuals must meet to practice.
- This can be in the form of degrees, certifications, or licenses.
- The minimum qualification ensures that the person is competent and prepared to take on the responsibilities of the profession.

4. Representative Body:

- Professions typically have a governing or representative body that regulates standards, sets entry requirements, and monitors professional conduct.
- For example, **American Medical Association (AMA)**, which governs the medical profession in the United States sets standards for medical education, ethics, and practices, and also advocates for physicians and public health.

5. Service Above Self:

- A true profession is not just about making money but also about serving the public or clients.
- Professionals are expected to prioritize the welfare of others above personal gain, and this is often a core value in fields like medicine, law, and education.

6. Ethical Code of Conduct:

- Every profession operates under a strict ethical code, outlining acceptable and unacceptable behaviour.
- These ethical standards are designed to ensure integrity, responsibility, and accountability in professional practices.
- For instance, confidentiality is crucial in law and healthcare professions.

Managerial Knowledge and Skills

- According to Robert Katz, the following skills are required for manager's job:
 - Technical skills (knowledge and proficiency in a specialized field),
 - Human skills (ability to work well with other people individually and in a group),
 - Conceptual skills (ability to think and to conceptualize about abstract and complex situations).

- Later Shanhar further expanded the areas into 4, i.e., technical, human, operational and strategic.

1. **Technical Knowledge:** is constituted by the scientific methods, tools, techniques and concepts that manager should know for taking informed decision in various situations.
 - **Technical skills** are required to apply them known how to solve technical problems and are necessary to evaluate the work done by others.

- 2. Human knowledge:** comprises of human and behavioural theories developed by social scientists who propounded various models on leadership, motivation, negotiations, communication etc.
- **Human skills** are needed to practically get the work done through people that is to lead them, to motivate them, to communicate with them and to negotiate with them in such a manner that they contribute to work with their heart and soul.

3. **Operational knowledge:** relates to the day to day running of an enterprise. This involves designing implementing and maintaining a transformation process which converts various inputs into output of desired product and service.
- **Operational skills** involves proper resource allocation to various activities in the transformation process sequencing of activities according to precedence requirement routing the material into factory premises, preparing a production plan etc.

4. **Strategic knowledge:** deals with long term planning for the organization as a whole. This involves scanning the environment for threats and opportunities while analysing the strengths and weaknesses of the organization.
- It provides overall direction to the whole of the organization keeping in view the industry dynamics in which the organization operates and the market force like competitors.
 - **Strategic skills** are required in the implementation of strategic plans, example, communicating the plans to all concerned, allocating budgets and human resources, keeping a track on the progress of implementation of the plans, etc.

Levels of Management

- There are various levels of management in an organization.
 - The organization structure may vary from organization to organization according to the nature of the industry and areas of activity of the organization.
1. Top management
 2. Middle management
 3. Lower management

1. Top management:

- Top management of the organization is constituted by the chairman, and the Board of Directors, the President and the Chief Executive Officer(CEO).
- The strategic knowledge and skills are most useful for this level of managers, whose primary role is to set the vision, mission and long-term direction of the organization.
- They also create the strategic objective for the firm. For example, a strategic objective for a firm may be double revenue in the coming 5 years.

2. Middle management:

- According to Drucker, the middle management tends to see things “functionally”.
- Middle management consists of managers taking care of the functional areas like operations, finance, marketing and human resources, strategy and management information system.
- The functional areas may further be segregated into specialised sub functions, for example, marketing department may be divided into sales and branding section.
- The middle manager need the operating knowledge and skills to convert the strategic plan set by the top management into operating policy and targets.

- They later use control mechanism to gauge up to what extent the lower management is successful and implementing these policy and in achieving the targets.
- For example, the strategic objective of doubling the sales revenue in next 5 years be converted by the middle management into operating annual objective of 20% growth and sales revenue every year for the coming 5 years.

3. Lower Management:

- Lower management level is formed by the managers who are interested with the job of implementing the operating policy and targets given by the middle management.
- The technical knowledge and skills come most and for the lower management, for example manager must know the concept of customer relationship management to retain their existing customer base, using this selling skills to rope in the new customers.
- The human knowledge and skills are of great utility at all levels of management, for example the Board of Directors must deal with numerous shareholders, lower management as to deal with customers, vendors, etc, and the middle management as to take care of compiling demands of top as well as the middle managers while dealing with external people like government agencies financial institutions, etc.

Management & Administration

- The terms management and administration are often used interchangeably in common parlance.
- Extensive research in the literature reveals that there is a subtle difference between the two.
- American and European scholars seem to have a divergent view as to which term is a subset of the other.
- American scholar Schulze is of the view that administration is a much broader concept, which encompasses management within itself.
- British scholar Sheldon and French scholar Fayol propose that management as a broader meaning than administration and a general sense.

- Administration involves “thinking” it’s a top-level function.
- Management involves “doing” it’s is a lower-level function.

Characteristics	Administration	Management
Main Function	Planning, Organizing and staffing	Leading, Motivation and Controlling
Status	Act as owner	Act as an agency
Skills	Good administrative skills	More technical skills
Level in the organization	Top level	Lower level
Position	MD, Owner, CEO	Manager, Supervisor, foremen etc...
Objective	Makes the policies & objective to be achieved	Implements the plans, policies
Involvement	No direct involvement production or service	Directly involves in the execution of plans and achieving objectives

Management & Administration

- Definitions of the terms administration, organization, and management as given by Schulze:
- **Administration** is the force which lays down the object for which an organization and its management are to strive and the broad policies under which they are to operate.
- An **organization** is the combination of the necessary human beings, materials, tools, equipment, working space, and accessories brought together in systematic and effective correlation, to accomplish some desired object.
- **Management** is the force which leads guides and directs an organization in the accomplishment of the predetermined object.

- While defining these terms, Schulze himself contends, “the words management and administration are so frequently used synonymously that one rather hesitates to draw a distinction between them, for, after all, usage gives a word its meaning”.
- He justifies explicit distinction between the two terms by pointing towards the American model of the government, whereby the president typifies the administrative force, while the various governmental heads of the departments typify the management force.
- Example: if we draw a parallel between a business enterprise and the American government, the Board of Directors of the enterprise may be taken as administrative force, while the CEO along with his subordinates would form a management force.

Management Functions:



Management Functions:

- Gulick adapted the acronym **POSDCORB** from Fayol with the initials representing *planning, organising, staffing, directing, coordination, reporting, and budgeting*.
- However, most modern text follow the acronym **POSDC** and confined the management functions to *planning, organising, staffing, directing, and controlling*.

1. **Planning:** selecting objectives and the means for accomplishing those objectives.
2. **Organising:** designing a structure of roles for people to fill.
3. **Staffing:** selecting and developing people to fill organizational roles effectively.
4. **Directing:** taking actions to motivate people and help them see that contributing to group objectives is in their own interest.
5. **Controlling:** measuring and correcting activities of people to ensure that plans are being realised.

Functional areas of Management:

- The management functions are applicable equally well to the organization functions or organizational area.
- The organizational functions are **operations, marketing, finance, strategy, human resources, and management information system(MIS)**.
- **Operations** are constructed by the transformation process which converts various type of input into a desired product and services.
- **Marketing** is a set of process for creating, communicating and delivering values to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.
- In practice, marketing includes activities like advertising, branding, selling, distribution, etc.

- The organization function of **finance** is about, time, money, risk and the interrelationship thereof.
- In layman's terms, **strategy** is all about long term planning for achieving the long-term goals of the organization.
- **Human resource** in the organizational functions which deals with the selection and recruitment of the employees, performance appraisal, compensation, rewards, recognition, training and development, etc.
- The **MIS** focuses on providing needed information to the managers in a useful format and at the proper time by using contemporary information technologies.

Scope of Management:

- The scope of the management encompasses for **profit** as well as **no profit organisations**, **government** as well as **non-governmental organisations**, and **service** as well as **manufacturing organizations**.
- It is in fact difficult to find an area of activity where management is not applicable.
- **Profit organisations** like business enterprises need management for wealth maximization of their shareholders.
- **Non-profit organisations** like educational institutions, healthcare organisations, etc. value management for keeping their cost of operations at optimal levels.

- **Government organisations** like municipal corporations, water supply departments, electricity boards. etc. use management to effectively use the taxpayer's money in providing best possible service to the public.
- **Non-governmental organizations** like environmental agencies, etc. benefit from management in achieving their societal objective in the cost-effective manner.
- **Manufacturing organizations** extensively use management to increase productivity, to enhance quality of the products manufactured and innovating new products.
- **Service organizations** benefit from management in providing an exemplary service experience to the customers.

Roles of Management:

- Managers perform a myriad of roles in discharging their duties.
- Mintzberg classified managerial roles into three broad categories, namely
 1. **Information roles** (roles that involve receiving, collecting and disseminating information)
 2. **Decision-making roles** (roles that revolve around making choices)
 3. **Interpersonal roles** (roles that involve people and other duties that are ceremonial and symbolic in nature)

1. Informational Roles:

- **Monitor** – a manager monitors his environment and collect information through his personal contacts with colleagues and subordinates.
- **Disseminator** – manager passes some of the information directly to his key subordinates.
- **Spokesman** – manager communicates the goals of organization to his staff and the progress of work to his superiors. And represents his organization before various outside groups.

2. Decisional Roles:

- **Entrepreneur** - manager looks for innovation to improve his organization.
- **Disturbance Handler** - the manager has to work reactively like fire fighter. Must seek solutions for various unanticipated problems like strikes, supplier's problems, employee's problems etc.
- **Resource allocator** - manager must divide work and delegate authority among his subordinates. He must decide who will get what.
- **Negotiator** – negotiates with employees and tries to solve any internal problems

3. Interpersonal Roles:

- **Figurehead** – manager has to perform some duties of ceremonial nature such as greeting dignitaries, attending the wedding of an employee, taking important customers to lunch etc.
- **Leader** – as a leader every manager has to motivate and encourage his employees.
- **Liaison** – manager has to develop contacts with outside people and collects useful information for wellbeing of the organization

Managerial Phases:

- Leavitt proposed three phases of management, namely,

1. **Path-finding**

2. **Problem-solving**

3. **Implementing**

- According to him, all the three phases are important in the “management mix” and should be balanced by a manager to achieve success.

1. Path-finding phase:

- A manager should think as an entrepreneur and a strategist in setting the mission, vision, and direction for the organization.
- A manager should use all the creativity in coming up with the new ideas, innovations, and radical transformations for the organization.
- A manager needs to establish an ethos for the organization and create a culture such that the environment across the organization is conducive for creativity.
- In this phase, the manager need not necessarily be focusing upon meticulous planning, but on enthusing the whole organization with fresh thinking and ideas for the betterment of the organization.

2. Problem-solving phase:

- In this phase, a manager is expected to use rationale and critical thinking to analyze the various aspects of the ideas originated during the path-finding phase.
- This requires allocating resources, setting priorities, and ensuring that there are no roadblocks to be encountered later.
- Here, there is scope for intuitive judgements based upon past experience in addition to informed planning and organizing.

3. Implementation phase:

- The third phase of **implementation through people** is equally important.
- It is indeed an art to motivate, persuade, cajole, coerce, or intimidate people to get the work done during this phase.
- It is always easier if the people charged with the responsibility of implementation are doing it with their heart and soul rather than just to fulfill orders from the manager.
- Hence, the people skills are of paramount importance in this managerial phase.

Responsibilities of a Manager:

- Shenhar and Renier present four responsibilities of manager based upon the goals to be achieved by him or her.
- These are:
 - 1. Responsibility for results**
 - 2. Responsibility to people**
 - 3. Responsibility to the organization and**
 - 4. Responsibility towards self**

1. Responsibility for results:

- This is of course the most pressing demand on the manager.
- The manager asked to demonstrate achievement of results for the department that he/she is in charge of.
- For example, a sales manager's performance is gauged on the basis of sales targets achieved in a quarter.

2. Responsibility to the people:

- A manager has responsibility to the people who work under him.
- They look up to him for motivation, rewards, incentives, promotions, bonus, and recognition for the adverb put in by them.
- The manager has to take care of their growth and development in the organization and has to, at times, become a mentor to some of them in distress.

3. Responsibility to the organization:

- Responsibility to the organization for its well-being and for projecting its positive image to the outside world is expected out of a manager.
- It requires a sense of belongingness, empathy, and camaraderie.
- It is the responsibility of the manager to safeguard his organization from any risk of bankruptcy under the circumstance of an acute downturn.
- Of course, it is mutually shared responsibility with other manager colleagues in the organization to protect its interests.

4. Responsibility towards self:

- A manager also has a responsibility towards self in the sense that he should take care of his own career development rather than depending upon the organization to do so.
- It is their own responsibility to find time for proper relaxation at regular intervals for giving a sustainable performance day after day rather than wearing themselves down with managerial burdens and blaming the superiors for the same.
- It would require efficient time management on their part to discharge regular duties while finding a suitable amount of time for rest, relaxation and rejuvenation.

Chapter - 2

Planning

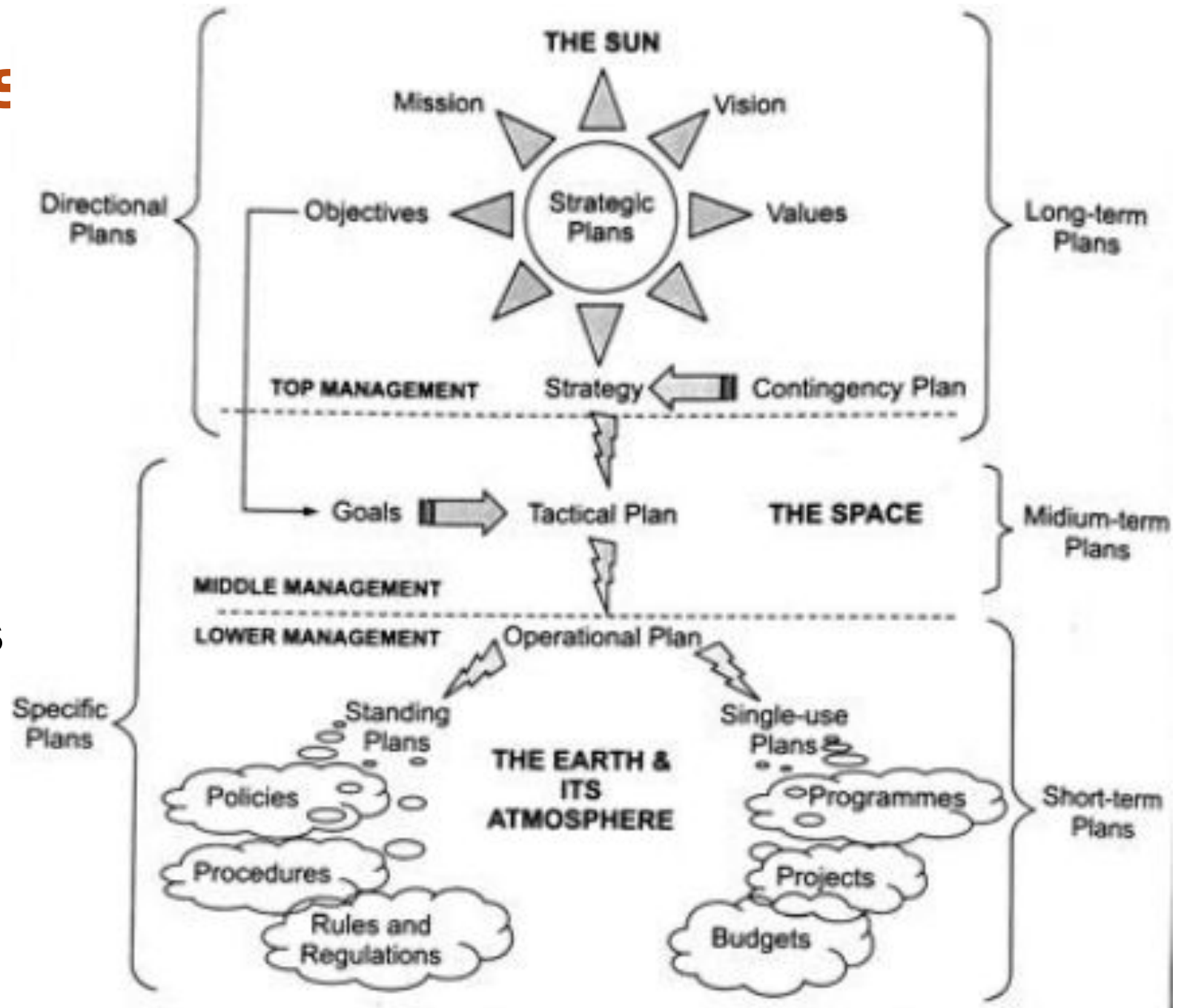
The Planning Process:

- The words plan and planning are commonly used in several contexts.
- It can be an architectural plan to create a building, a plan to rescue a beleaguered economy, a business plan for creating a new entrepreneurial venture, or a plan to capture an enemy post during a war.
- According to Oxford dictionary for the Business World, **a plan** is a method or procedure for doing something; a design, a scheme, or an intention.
- According to Webster's Dictionary, **a plan** is the general word for proposed method of action or procedure.
- In other words, **a plan** is set of actionable decisions which has been selected from among a number of alternative sets.

- Planning implies the development of a program for accomplishing the organization's desired objectives and goals.
- Planning is choosing a course of action and deciding in advance what is to be done, in what sequence, when, and how.
- The business environment is highly dynamic in today's world.
- Therefore, it requires critical thinking and analysis while formulating the plans keeping in view not only the current scenario, but also the scenario which is likely to prevail by the time these plans would be implemented.

Types of Plans

- Different types of plans:
1. Strategic Plans
 2. Contingency Plans
 3. Tactical Plans
 4. Operational Plans



1. Strategic Plans:

- These are long-term plans spanning a planning horizon of about 3 to 10 years.
- Strategic plans set out the overall direction for the firm keeping in view the long-term objectives to be achieved.
- In strategic planning, the top management tries to answer such questions as: “What does the environment we are operating in?”, “Where are we heading?”, “How do we take the organization from the current state to the higher state of success?”
- Various type of strategy plans are **mission (including vision and values), objectives, and strategies.**

- **Vision:** A desired future state of the organization.
- Imagination and inspiration are the important components of vision.
- Typically, a vision can be viewed as ultimate goal of the organization, one that may take 5 or even 10 years to achieve.
- **Mission:** The purpose or a reason for the organization existence, that is, what business we are in, what we do, and whom we serve.
- **Values:** What the organization stands for and believes. These are the principles to be observed to meet the vision or principle to be served.
- **Objectives:** These are the desired outcomes in such areas as customer service profitability and social responsibility that the management of the organization hopes to attain.

- **Strategies:** Once the top management of the organization has created the mission, vision, values, and objectives, they are ready to create the strategies or grand plans for achieving them.
- Strategies are long term plans which are chosen from the set of possible options after careful analysis of the opportunities and threats offered by the external environments as well as the strengths and weaknesses of the organization vis-à-vis competitors.
- **Goals:** The terms **objective** and **goal** are often used synonymously. However, there is a subtle difference between the two. Goal are more concrete aims of the organization and more specific than the objectives.
- Goals are specific means by which the ultimate objectives of the organization are achieved.

2. Contingency Plans:

- Today's business environment has become ideal volatile and unpredictable due to global competition.
- Organizations, therefore, have to be prepared to change their strategies in the wake of drastic changes often encountered in the environment.
- It is much more beneficial if organizations follow a proactive approach of developing alternative strategies for various scenarios which may prevail over a period of time. These alternative plans are called ***contingency plans***.
- Thus, contingency planning involves identifying alternative courses of action which may be implemented if and when the original plan proves inadequate because of changing circumstances.

3. Tactical Plans:

- The strategy developed by the top management is helpful in winning the corporate wars against the competition, while the tactical plans help in winning the shorter duration battles.
- Tactical planning derived from the business grand strategy aids in long term survival and growth of the organization.
- Strategic planning has the focus of providing directions on what the organization would be doing in future(in the long-term), while **tactical planning is all about deciding how these activities would be accomplished** (in the medium-term).

4. Operational Plans:

- Operational plans(also called functional plans) are very specific, focused and short-term plans in line with the tactical plans.
- These plans pertain to the various functional departments of an organization like finance, operations, marketing, HR, and IT.
- The time duration covered by these plans can be monthly, weekly, or even daily.
- For example, the production plans prepared by a manufacturing organization fall into this category.
- If the tactical goal is, say, to increase the revenue by 20% this year and the corresponding tactical plan is to gain 10% new business(from new client) while increasing 10% business from existing clients, the operational plan of the marketing department may be to create a new advertisement for electronic media to attract new clients while arousing the interest from existing clients.

- Similarly, the corresponding operational plan of the production department may be to reduce production cost by 10% which in turn will help in offering better pricing to the client and thus, in attracting new clients would be easier.
- Hence, operational plans strive to utilise the available resources optimally in order to support the tactical plan.
- There are 2 types of operational plans:
 1. **Standing plans and**
 2. **Single-use plans**

1. **Standing plans** (also called continuing or ongoing plans), are usually made ones and retain their value over a period of years, while undergoing periodic revisions and updates during this time frame.
 - These periodic revisions and updates ensure that the standing plans remain in tune with the tactical plans.
 - There are basically 3 types of standing plans:
 - i. **Procedures**
 - ii. **Policies and**
 - iii. **Rules and Regulations**

i. Procedure:

- A set of step-by-step directions that explain how activities or tasks are to be carried out is called **procedure**.
- By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to the repetitive problem.
- For example, standard operating procedures are pictorially displayed over complex machines and factories to aid the operator to follow the exact sequence of steps as explained there.
- This becomes a useful mechanism to ensure quality of products process by the operator on the machine.

ii. Policies:

- Policies are guides to managerial action.
- Policies are general statements that explain how a manager should attempt to handle routine management responsibilities.
- An organization may have policies in a number of areas: quality, environment, safety, human resource, etc.
- These policies guide day to day decision making.
- For example, an organization may have the policy of providing “Equal Employment Opportunity to all” implying that no biases would be done in relation to caste, creed, religion or nationality.

iii. Rules and regulations:

- These are explicit statements that tell an employee what he or she can and cannot do.
- These are do's and don'ts statements put into place to promote the safety of employees and the uniform treatment and behaviour of employees.
- For example, it is a rule in Maruti Suzuki plant at Gurgaon that anybody entering the factory premises must wear a helmet provided by the main gate security in order to ensure the safety of the visitor inside the factory.

2. Single-use plans: are made for activities which do not recur or repeat.

- Thus, such plans are required for activities which have one time occurrence.
- The types of single-use plans are:

- Budgets**
- Projects and**
- Programmes**

i. Budgets:

- These are functional plans which predict sources and amounts of income and how much they are used for a specific organization, activity or department.
- For example, an annual budget is announced by the Union Railways Minister for the Indian Railways. Every year, the Railway budget has some unique features or the other, which distinguish it from the budgets for the previous years.

ii. Project:

- It is a temporary endeavour undertaken to create a unique product or service.
- Due to the uniqueness of the product or service to be created by it, every project is unique in itself and thus, qualifies to be categorised under single-use plans.
- For example, the Indian Oil Corporation limited as numerous refinery and pipeline projects, many of which have been completed while the others are ongoing.

iii. Programme:

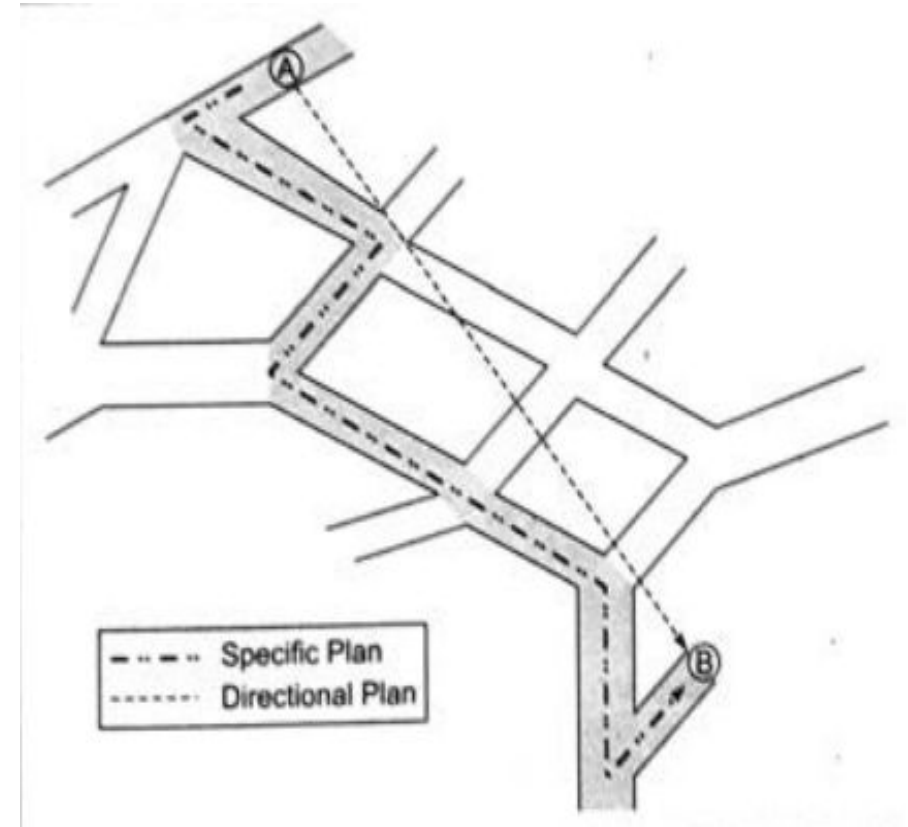
- It is a schedule or an ordered list of events to take place.
- For example, an inauguration programme for a new facility which includes the ribbon cutting, speeches by key officials/invited guests, tour of the new facility for the guests, etc. in a predetermined sequence.

Directional Plans versus Specific Plans:

- McCaskey challenged conventional description of planning as necessarily tied to setting specific goals.
- In his view, instead of specifying concrete measurable goals, the planners should work more from who they are and what they like to do.
- This type of planning without goals is called **planning from thrust** or **directional planning** which points to the positive characteristics of the process.
- Example: a device sometimes used to identify direction for an individual. The Individual tries to identify a pattern which describes a direction for himself.

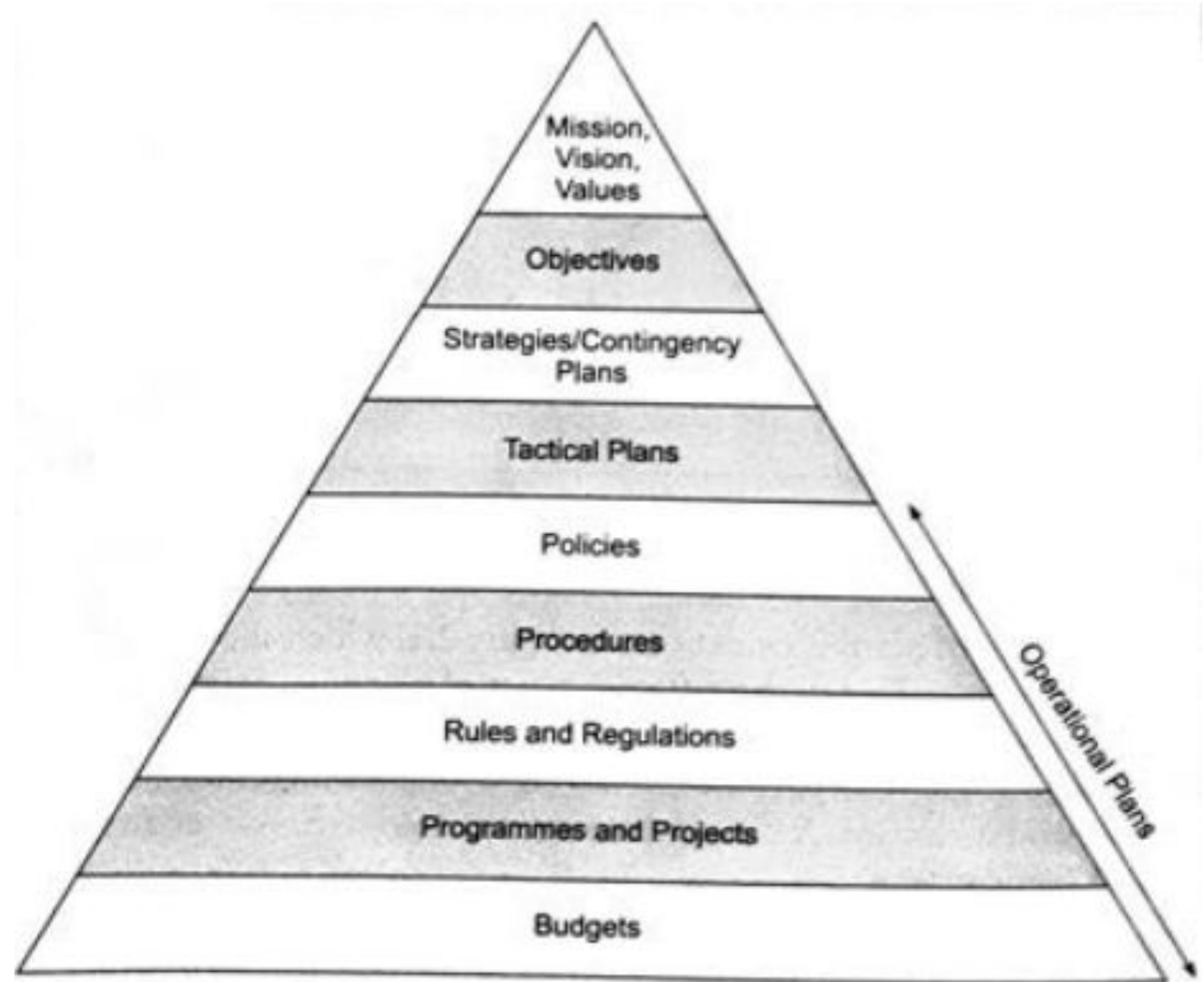
- Objects which lie along the path in which the direction is moving may become goals.
- But even when goals are chosen, one goal might easily be substituted from another as long as it lies on the general path of the direction.
- **Directional planning** has a lot of flexibility compared to specific planning, however it is much more stressful and cumbersome for planners who are accustomed to planning with specific goals.
- Planning is more suitable for top management who are involved in strategic planning and the entrepreneurs creating their new business ventures.
- Managers in lower hierarchies of the organization, involved in tactical and operational planning are better off working with specific plans based upon the specific goals.

- The figure shows an example to demacrate between directional and specific plans.
- The directional plan only provides a general direction for a traveller in a city map depicted in the figure.
- The traveller as the liberty to choose any set of routes suitable to an as per personal preference.
- However, in a specific plan, the traveller is given as specific route between the source A and the destination B.



Hierarchy of Plans:

- The hierarchy of plans evident from types of planning which shows the hierarchy of the managers involved in the different types of planning.
- Figure 2.3 recaptures the hierarchy of plans. It also shows the hierarchy of the different types of operational plans, namely the policies, procedures, rules and regulations, programmes and projects, and budgets.



- Strategic planning and contingency planning are performed by the top management of an organization due to their highest importance in having a long-lasting impact upon the organization and its future.
- A flawed strategy may lead to havoc for an organization vis-à-vis competitors.
- In case the chosen strategy does not yield expected results due to abrupt changes in the business environment, contingency plans prepared by the top management may be invoked.

- The contingency plans replace the existing field strategy under these circumstances and thus, command hierarchy at par with strategic plans.
- The next place in the hierarchy of plans is secured by tactical plans, which are created by middle managers of the organization and have a middle-term planning horizon.
- Any flaws in tactical plans have medium-term impact due to their medium-term time frame.
- The lowest level of hierarchy of plans is occupied by the operational plans. The operational plans take care of the nitty-gritty in various functional areas of the organization and its diverse divisions, hence coming closest to the realm of implementation.

- These plans are created by the lower rung of the organizational hierarchy and have short-time frame.
- Therefore, the impact of any lapses in operational plans is felt in the short-term.
- Understood the hierarchy of plans, we should keep in mind that strategic, tactical, and operational plans are interlinked to each other through the objectives and goals.
- Therefore, a frequent failure of operational plans may have the impact of weakening the tactical plans.
- Similarly, failure of tactical plans on many occasions may have negative impact upon the strategic plans, and the top management may have to revise the strategic plans.

- Hence, it must be emphasised that despite the highest hierarchy enjoyed by strategic plans, the success is heavily dependent upon the success of lower-level plans, namely the tactical and operational plans.
- Clearly, the crucial role of middle and lower management in the organizational hierarchy should not be underestimated for the successful implementation of the overall grand strategy of the firm.

Importance of Planning:

- The importance of planning can be isolated by discussing about the benefits it brings about and the kind of problems which may erupt in its absence.
- Planning as numerous reasons which support its utility and importance in the sphere of management.



- Planning involves,
 1. **Setting objectives and priorities**
 2. **Credibility and trust of stakeholders**
 3. **Building consensus**
 4. **setting and managing expectations**
 5. **Allocation of resources**
 6. **Framework for decision making**
 7. **Current challenges and future problems**
 8. **Coordination**
 9. **Time management**
 10. **Control mechanisms**

1. Setting Objectives and Priorities:

- Planning **aids in setting objectives and priorities** for managers.
- Drucker in his theory on MBO recommends that every manager should be given clear objectives to be achieved.
- Strategic planning results in setting strategic objectives, which boil down to tactical goals and further seep down to aid in operational planning.
- Thus, planning aids in setting these objectives for all managers in the organization and hence, guides the manager to be focused upon the objectives to be achieved.
- Example, managers are swamped with various activities everyday.
- Manager think rationally and set priorities to those activities in the order of importance associated with them in the achievement of objectives set-out for them.

2. Credibility and Trust of Stakeholders:

- Planning indeed **increases credibility and trust with the stakeholders** of the organization.
- Stakeholders are people impacted directly by an organization's activities including the shareholders, employees, vendors, customers/clients, etc.
- They need to be often convinced by the managers about the merits of important actions taken by them which may directly impact the stakeholders.
- It is always easier for the managers to take the stakeholders into confidence by sharing the elaborate and formal plans made by them in relation to such future important actions.
- For example: Tata's Nano Car

3. Building Consensus:

- Planning **helps in building a consensus within the organization** by providing a common platform for setting objectives for all managers.
- Higher level objectives as ends are directly tied to the lower-level objectives as the means for their accomplishment, thus creating a means-end chain or hierarchy of objectives.
- Thus, everybody directly or indirectly strives for achieving the organizational objectives.
- Planning thus serve as a single thread of purpose binding the whole organization.

4. Setting and managing expectations:

- Planning is also useful in **setting and managing expectation in a realistic way**.
- The objectives assigned to every manager inform her about the expectations of the organization from her.
- While setting the objectives, the manager's expectations should also be taken into account so as to create a synergy between organizational objectives/goals and the individual's objectives.

5. Allocation of resources:

- Planning results in **optimal allocation of resources**.
- Planning helps allocate limited resources like staff, materials, and time in an orderly and systematic manner into various types of activities.
- In the absence of planning, there is increased likelihood of many resources becoming over-allocated while other resources remaining idle, thus resulting in wastage of organizational resources.

6. Framework for Decision-making:

- Planning provides a **framework for decision-making**.
- In the performance of various activities, managers have often taken decisions. Such decisions are much easier to take and are less prone to errors if backed by good planning done earlier.
- Thus, a well-developed plan created in the past guides a manager in taking suitable decisions in case of unforeseen problems encountered during the implementation of some actions.
- Planning helps decision makers by providing guidelines and goals for future decisions.
- Planning can help ensure that a coherent set of actions are implemented which are consistent with the values and priorities of the decision maker.

7. Current challenges and future problems:

- Planning requires a manager to think critically about the activities being planned so as **to resolve current challenges while avoiding future problems.**
- This proactive approach helps in overcoming not only the present challenges but also prompts the managers to figure out possible hurdles in future and ways of avoiding the same.

8. Coordination:

- Planning **improves coordination** in a big way.
- According to Drucker, the objectives set out for every manager should specify what performance outputs are expected to be generated by the manager's own managerial unit, how his unit may help other managerial units in achieving their objectives, and last but not the least, what help the manager can expect from other units in achieving his own objectives.
- Thus, the planning process which starts from setting the objectives improves camaraderie and a sense of teamwork.

9. Time Management:

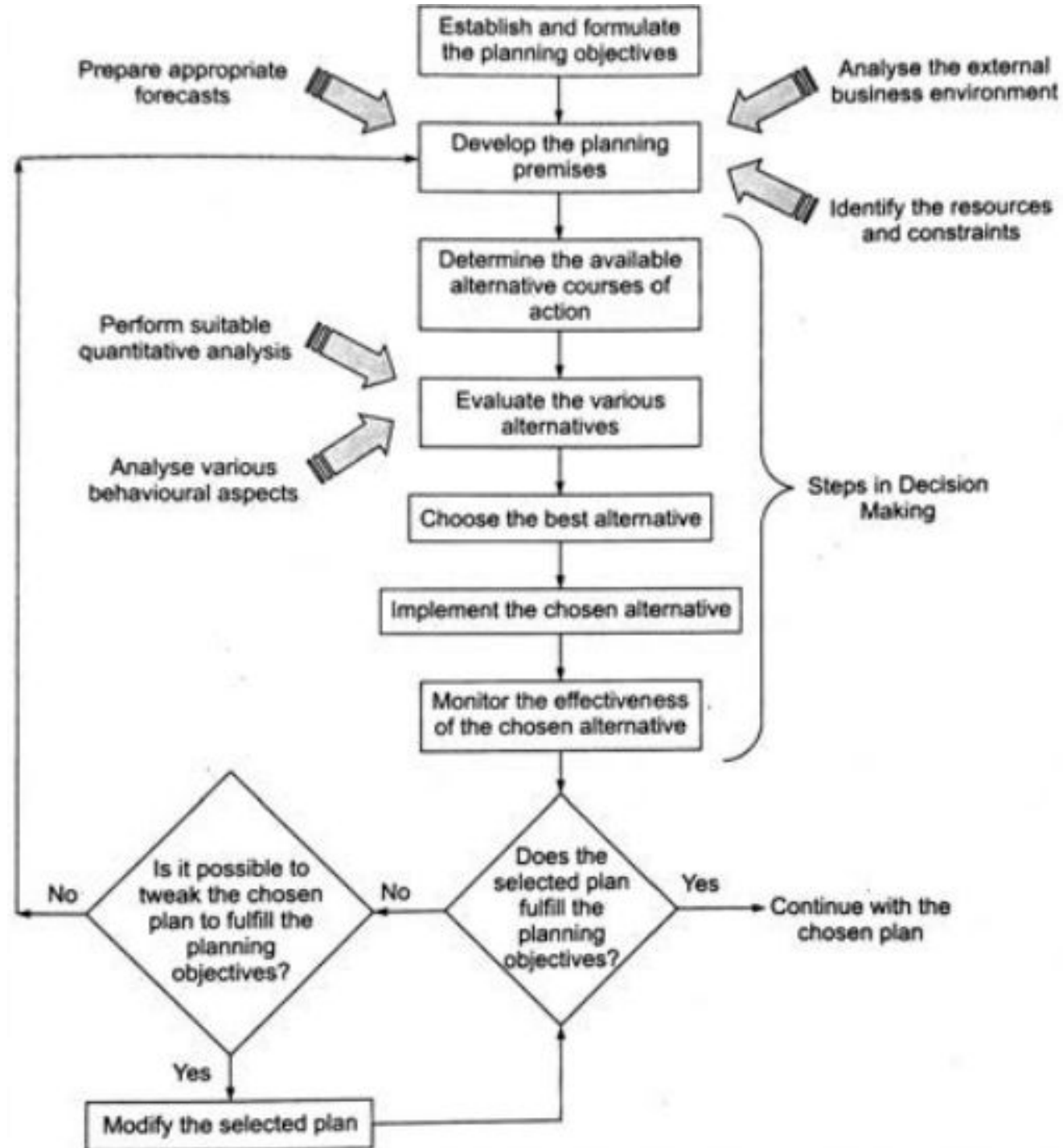
- Planning **aids in managing time effectively** on part of managers.
- Time is perhaps the most important resources for the managers, which gets consumed at a constant rate.
- Proper utilization of time by managers into value adding activities would of course be most desired.
- This is possible only when managers plan the activities of their day by sequencing task with higher priorities while pushing down the low priority task to subordinates for future periods of time.

10. Control Mechanisms:

- Planning facilitates **control mechanisms**.
- Planning helps a manager exercise more control in a situation, establish goals proactively and consider contingencies.
- Planning can help quantify goals and establish a means of measuring success.
- A feedback loop acts as a means of evaluating actual performance against planned performance of the product or service produced by the organization.
- **Planning and control** are rightly said to be the **Siamese twins** of management.

Steps in Planning and Planning Premises:

- Systematic planning is constituted by various steps in the planning process as shown.
- The planning process starts with the formulation of planning objectives.
- For example, the company operating in the mobile phone handsets market as created a new mobile phone especially targeting the college students.
- The company wants to create the advertising plan to quickly penetrate the market with the product before the competitors can come up with the similar product.



- The next step is developing the planning premises, i.e., pre-suppositions or assumptions about the future scenarios in which the plan can be created would be implemented keeping in view the business environment.
- While developing the planning premises, a manager must perform the forecasting of the scenario which is expected to prevail by the time the plans would be implemented.
- In our example of advertising plan for the new innovative mobile phone, forecasting would be required to know about how many college students own a mobile phones, etc.
- This information would be helpful in creating relevant planning premises, e.g. in the 1st month of the advertising campaign, the advertisements should reach out to at least 50% of the college students.

- The external business environment has to be analyzed.
- Example, which existing models of the competitors come closest to the new mobile handset being introduced by the company, what is their market share, etc.
- The manager has to also keep in view the available resources and constraints while developing the planning premises.
- Example, there may be a budget constraint.

Decision- Making:

- Decision making is a process in which a best course of action is selected out of a set of alternatives for achieving a desired outcome.
- Managers are required to take decisions often when faced with a problem.
- The decision-making process that start with the understanding of definition of the problem.
- Example, the workers and the factory act suddenly gone on strike while demanding increase in wages.
- Definition of the problem (how much increase in wages being demanded, etc.) this is an important step in the decision-making process.

- In the planning process, the problem definition this already done while creating the planning premises.
- The next step common to both planning process and decision making can be followed-**determining the available alternative course of action.**
- Example the new mobile and set, there can be various available alternatives for planning the advertising campaign.
- One alternative can be to focus upon electronic media and create advertisements to be aired on YouTube channels like Channel V, MTV, etc.
- Next, the various alternatives have to be **evaluated by using quantitative analysis** while keeping in view various behaviour aspects. Example, linear programming is a technique which can be utilised to find the optimal proportion of allocation of advertising budget in various type of media to be used for advertising campaign to maximise the outrage of the intended audience.

- Behavioural aspects make an alternative less lucrative. Example, on careful analysis it may be revealed that a majority of college managements do not allow for advertisement posters in their canteens. Thus, this alternative becomes less likely choice of being selected.
- The **best alternative is chosen** after careful evaluation of the alternatives.
- Example, let us assume that advertisements in electronic media emerged as a chosen alternative. It is thus decided that an advertisement would be created and aired on youth channels like Channel V and MTV.

- The next steps of the planning process, the selected alternative is implemented, and its effectiveness is monitored.
- The initial results of implementation start giving the managers an idea about the effectiveness of the plan.
- The decision question here is: does the selected plan fulfill the planning objectives? If yes, the plan is continued in implementation.
- If not, the next decision question faced by the managers is: is it possible to tweak the choosing plan to fulfil the planning objectives? If the answer to this question is yes, the necessary modifications are done, and the modified plan is implemented to see if now the planning objectives are met.
- If the answer is no, the planning process has to be restarted from setting up the planning premises.

- Example, that the advertisements aired on Channel V & MTV did not produce the desired results.
- The manager then decided to tweak the plan by realising that it is a major cricket season in the country with some important cricket tournaments being relieved by sporting channels.
- It is decided to air the advertisements on the sports channel during the time slots of the cricket match.
- If this tweaked plan produced the desired outcomes, the plan can be continued in its present form.
- As is evident, few steps of the planning process invariably culminate into a control mechanism which helps in refining the choice and plan further.

Sequential Decision-Making:

- In many managerial situations, decisions are to be taken one after the other in a sequence.
- The decisions taken earlier have an impact upon the decisions to be taken later in the sequence.
- **Decision tree analysis** is a technique, which is used to analyse decision situations that are sequential in nature.
- In this technique, a diagram is made to represent the various decision options and their outcomes.
- This diagram resembles a tree with various branches coming out from the main stem and therefore, it is called a **decision tree**.
- In decision tree diagram, small rectangles are used to represent the point of decision called the **decision node**.

- Here a choice is to be made for the best decision option from a set of options branching out from this node.
- Small circles are used to represent the point of outcomes or events as a result of choosing a decision option. These circles are called the **event** or **outcome nodes**.
- Various outcomes branch out from these nodes.
- These outcomes are not under the control of decision maker and any one of these may occur according to the probabilities assigned to them.
- The probabilities are assigned to these outcomes on the basis of past experience or by expert judgements.

- The decision tree is analysed for the best decision sequence by that **roll-back technique**.
- In this technique, the decision nodes in the later part of the tree are analysed first and then, the decision nodes in the earlier part.
- Hence, the name is rollback technique.
- Example: Delight cafe