

Absolutely, I'll format this information for you. Let's dive in!

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## UNIT II PLANNING

**DEFINITION** According to Koontz O'Donnell, "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates."

### NATURE AND PURPOSE OF PLANNING

#### *Nature of Planning*

1. **Goal-oriented:** Every plan must contribute to accomplishing group objectives.
2. **Primacy:** Planning precedes all other managerial functions.
3. **Pervasiveness:** Found at all management levels.
4. **Efficiency, Economy, and Accuracy:** Plans contribute to objectives economically and accurately.
5. **Co-ordination:** Ensures unity in efforts.
6. **Limiting Factors:** Recognizes critical factors in planning.
7. **Flexibility:** Adaptable to changing environmental conditions.
8. **Intellectual Process:** Quality varies with managerial intellect.

#### *Purpose of Planning*

1. **Manage by Objectives:** Designs activities to achieve specific objectives.
2. **Offset Uncertainty and Change:** Prepares for future uncertainties.
3. **Secure Economy in Operation:** Selects the most cost-effective course of action.
4. **Help in Co-ordination:** Facilitates the coordination of organizational activities.
5. **Make Control Effective:** Compares planned vs. actual performance.
6. **Increase Organizational Effectiveness:** Measures effectiveness against objectives.

#### *Features of Planning*

- Primary function of management.
- Intellectual process focused on determining objectives.
- Involves choice and decision-making.
- Continuous and pervasive.

#### *Classification of Planning On the basis of content:*

- **Strategic Planning:** Long-term objectives of the organization.
- **Tactical Planning:** Conversion of detailed plans into action plans.

#### *On the basis of time period:*

- **Long term planning:** Beyond five years.
- **Intermediate term planning:** Between two and five years.
- **Short term planning:** One year or less.

## PLANNING PROCESS

#### a) *Perception of Opportunities:*

- Awareness of opportunities is the starting point.
- Involves a preliminary look at possible future opportunities.

*b) Establishing Objectives:*

- Defines results expected and primary emphasis.
- Controls objectives of subordinate units.

*c) Considering the Planning Premises:*

- Establishes critical planning premises.
- Agreement on consistent planning premises is crucial.

*d) Identification of Alternatives:*

- Lists available alternatives for objectives.
- Focuses on searching for and examining alternative courses of action.

*e) Evaluation of Alternatives:*

- Weighs alternatives considering premises and goals.
- Involves evaluating factors such as profitability, risk, and long-term objectives.

*f) Choice of Alternative Plans:*

- Evaluates premises based on reasonableness.
- Determines the best alternative for organizational objectives.

*g) Formulating of Supporting Plans:*

- Converts decisions into budgets.
- Budgets act as standards for measuring planning progress.

*h) Establishing Sequence of Activities:*

- Implements plans developed for long-range and short-range directions.
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## **TYPES OF PLANS / COMPONENTS OF PLANNING**

**• Broad Classifications:**

- Strategic plans
- Tactical plans
- Operational plans

**• Strategic Plans:**

- **Mission:**
  - Reflects organization's purpose and focus
  - Guides direction and market approach
- **Objectives:**
  - Specific, measurable statements of desired outcomes
- **Strategies:**
  - Long-term goal determination and resource allocation

**• Tactical Plans:**

- Detailed actions for lower units within divisions
- Shorter time frames, narrower scopes than strategic plans
- Usually managed by middle managers

**• Operational Plans:**

- Specific, measurable goals for departments and individuals
- Single-use or standing plans (e.g., policy, procedures)

- **Contingency Plans:**

- Alternative actions if original plans fail due to changing circumstances

## OBJECTIVES

- **Definition and Features:**

- Purpose of enterprise guiding planning and activities
- Must be predetermined, realistic, measurable, and interconnected
- Can be short, medium, or long-range, forming a hierarchy

- **Advantages:**

- Encourage unified planning and motivation
- Aid in controlling human efforts and identifying the organization's purpose

- **Setting Objectives:**

- Based on past performance and communicated effectively

## MANAGEMENT BY OBJECTIVES (MBO)

- **Definition and Features:**

- **Joint Goal Setting:** MBO involves a collaborative process where organizational goals are agreed upon by both management and employees.
- **Specific Objectives:** It centers on defining clear, measurable, and achievable objectives.
- **Individual Responsibility:** Each individual's major responsibilities are tied to these objectives, acting as guidelines for performance.

- **Steps in MBO:**

- 1. Setting Clear Objectives:** Defining specific, achievable goals for employees, units, and the organization aligned with its overall objectives.
- 2. Action Plan Development:** Detailing actions needed to meet the goals, assigning responsibilities, and setting timelines.
- 3. Progress Review:** Regularly reviewing and measuring progress towards objectives.
- 4. Performance Appraisal:** Evaluating performance based on the achievement of these objectives.

- **Advantages:**

- **Motivation:** Involves employees in goal setting, boosting their job satisfaction and commitment.
- **Enhanced Communication:** Promotes better understanding between superiors and subordinates, improving relationships and problem-solving.
- **Goal Clarity:** Ensures clear alignment of individual objectives with the organization's goals, enhancing efficiency.

- **Limitations:**

- **Overemphasis on Goals:** Focusing too much on setting objectives sometimes overlooks the importance of executing plans effectively.
- **Neglects Context:** Does not always consider the broader environment or resources available for goal achievement.

- **Potential Bias:** When not properly managed, MBO might lead to distorted results due to short-term or narrow goal setting.
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## Strategies:

- Adopted from war strategies, used in business for broader objectives.
- Characteristics: Combines factors, relates to environment, action-oriented, and formulated at top management level.
- Strategic Planning Process: Involves industry analysis, enterprise profile, executive values, internal and external environment evaluation, strategy development, evaluation, and implementation.

## Types of Strategies:

- **Cost Leadership:** Aims for low-cost production for a given quality level.
- **Differentiation:** Offers unique attributes valued by customers.
- **Focus:** Concentrates on a narrow market segment.

## Policies:

- General statements guiding managerial decision-making.
- Formulation involves identifying issues, setting goals, analyzing options, implementation, monitoring, and evaluation.

## Decision Making:

- Involves selecting the best alternative based on criteria among multiple options.
- Characteristics include freedom of choice, goal-oriented, and rational analysis.
- Types: Programmed (routine, repetitive) and Non-Programmed (non-recurring, unique) decisions.

# Decision Making Process

## 1. Specific Objective

- Decisions made to achieve specific objectives.

## 2. Problem Identification

- Recognizing and diagnosing the problem's signs and symptoms.
- Analysis to understand gaps between current and desired states.

## 3. Search for Alternatives

- Exploring various options through experiences, observed practices, and creativity.

## 4. Evaluation of Alternatives

- Assessing identified alternatives against set criteria.

## 5. Choice of Alternative

- Comparing outcomes to select the most suitable alternative.

## 6. Action

- Implementing the chosen alternative.

## 7. Results

- Outcomes compared to objectives to measure decision effectiveness.

## Characteristics of Effective Decisions:

- **Action Orientation**
- **Goal Direction**
- **Effective Implementation**

# Rational Decision Making Model

Six-Step Model:

1. **Define the problem**
2. **Identify decision criteria**
3. **Weight the criteria**
4. **Generate alternatives**
5. **Rate each alternative on each criterion**
6. **Compute the optimal decision**

## Decision Making under Various Conditions

1. **Certainty**
  - Known cause and effect, reliable information.
2. **Uncertainty**
  - Limited data reliability, unpredictable changes.
3. **Risk**
  - Incomplete factual information, estimation used.

Factors influencing decisions:

- **Variables with uncertainty**
  - **Critical variables: cost, market size, investment**
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