

Unite 2 part 1

Planning

DEFINITION OF PLANNING:

Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap from where we are to where we want to go - Koontz and O'Donnell.

NATURE OF PLANNING (BASIC CHARACTERISTICS /FEATURES OF PLANNING)

The following are the basic characteristics of planning-

- 1) Planning is the primary function of management
- 2) It is goal-oriented
- 3) It is all-pervasive
- 4) It is an intellectual activity
- 5) It is future oriented
- 6) It requires an integrated approach
- 7) It is a continuous process
- 8) It involves decision making

Objectives/Importance of planning (Merits or advantages of planning)

As the primary function of management, planning is considered vital in every sphere of activity. The importance of planning may be stated as follows:

1. It focuses on objective

Once the objective of the business has been fixed, the next step is to prepare a plan for its effective accomplishment. The enterprise objective cannot be realized overnight. It has to be achieved gradually over a certain period.

2. It helps to avoid wastage of resources

Planning makes it possible to make optimum use of the available resources, namely, time, money, materials and machines. This is possible as the employees and the executives know beforehand what they have to do.

3. It ensures efficiency as well as effectiveness

Efficiency is ensured by doing right things and effectiveness is achieved by doing things right. Planning helps to do not only right things but also things right. Each department knows what it is supposed to do well in advance as a result of planning.

4. It reduces risk and uncertainty

Planning is for future use and future is uncertain. While planning, future uncertainties are anticipated and adequate provisions are made to meet or overcome the same.

5. It provides for co-ordination

The work done in any organization is a team-work. Different departments participate in the process of goal attainment. Planning makes the responsibilities of each individual and department very clear. Thus, planning by explaining the responsibilities of each individual and department provides scope for co-operation and co-ordination.

6. It facilitates control

If planning is the first function of management, Control is the last function. Planning without control is useless and control without planning is meaningless. Control helps the enterprise to know whether the plan has been successfully implemented and the objective has been achieved.

7. Planning also provides scope for decentralization

Dispersal of authority throughout the organization is what is known as decentralization. Once the basic and derivative plans of the enterprise have been prepared, the next step is to explain the same to all the subordinates who are going to perform the various tasks.

Limitations of planning (Drawbacks or Demerits of Planning)

Planning suffers from the following limitations:

1. Uncertain Nature

The element of uncertainty cannot be totally eliminated in planning. Plans are meant for future use but future happenings cannot be accurately foreseen. e.g. A sudden change in the policy of the Government, loss due to natural calamities like earthquake, floods, etc., can destroy even carefully prepared plans.

2. Expensive

Preparation and implementation of any plan is expensive not only in terms of time but also in terms of efforts and money required.

3. Rigidity

It is always necessary to strictly adhere to the plan in so far as the daily work routine in an enterprise is concerned. Lack of flexibility in plans leads to monotony and boredom.

4. Loss of initiative

The staff in an enterprise shall perform their duties in the way they are expected to do in the plans. As a result, they are reduced to machines. There is no scope for the display of skills by individuals and this leads to loss of initiative.

5. Ignorance of subordinates' interests

Plans are prepared to attain the organizational goal in the most effective manner. In doing so, often, the interests, preferences, capabilities and attitudes of the employees are ignored. As a result, the subordinates do not give their wholehearted support to the implementation of the

plans.

Process of planning

The following are the various stages involved in the process of planning-

1. Identifying business opportunities

It is necessary to make an analysis of both the internal and external environment to know the trends in the near future. Business activities are influenced by internal as well as external factors.

2. Establishment of objectives

The second step in the planning process is to establish the organizational objectives in tune with the opportunities identified, taking into account the resources available.

3. Determination of Planning Premises

Planning Premises are the assumptions made about the future happenings. As planning is for future and future is uncertain, certain assumptions about the future become necessary.

4. Identifying the alternative courses of action

There are always alternative ways of carrying out any task just as there are different routes to reach a destination point. To attain the objective of a business, different courses of action may be available.

5. Evaluating the alternative courses of action

Each alternative should be examined carefully to decide on its suitability.

6. Selecting the best course of action

7. Formulation of derivative plans

After the basic plan of the enterprise has been determined, the next step is to prepare the subsidiary or derivative plans to support the basic plan.

8. Periodic evaluation and review

Kinds of Planning

Based on (Time limit)

1. Long term plans (Above 5 yrs.)
2. Medium term plans (Between 2 to 5 Yrs.)
3. Short term plans (Less than 2 yrs.)

Planning can also be classified as –

1. Corporate Planning
2. Divisional Planning
3. Strategic Planning

S. No	Strategic Planning	Operational Planning
1	Lays down major goals and Policies of the Organization	Decides the use of resources in day to day operations
2	Done at higher levels of Management	Done at lower level of Management
3	Long term in nature	Short term in nature
4	Broad and general	Detailed and specific
5	Based on long term forecast and appraisal of Environment	Based on past experience

TYPES OF PLANS

Any organization can have different plans. We can classify the types of plans in the following ways:

On the basis of Nature

Operational Plan: Operational plans are the plans which are formulated by the lower level management for short term period of up to one year. It is concerned with the day to day operations of the organization. It is detailed and specific. It is usually based on past experiences. It usually covers functional aspects such as production, finance, Human Resources etc.

Tactical Plan: Tactical plan is the plan which is concerned with the integration of various organizational units and ensures implementation of strategic plans on day to day basis. It involves how the resources of an organization should be used in order to achieve the strategic goals. The tactical plan is also known as coordinative or functional plan.

Strategic Plan: Strategic plan is the plan which is formulated by the top-level management for a long period of time of five years or more. They decide the major goals and policies to achieve the goals. It takes in a note of all the external factors and risks involved and makes a long-term policy of the organization. It involves the determination of strengths and weaknesses, external risks, mission, and control system to implement plans.

On the basis of managerial level:

Top level Plans: Plans which are formulated by general managers and directors are called top-level plans. Under these plans, the objectives, budget, policies etc. for the whole organization are laid down. These plans are mostly long-term plans.

Middle-level Plans: Managerial hierarchy at the middle level includes the departmental managers. A corporate has many departments like purchase department, sales department, finance department, personnel department etc. The plans formulated by the departmental managers are called middle-level plans.

Lower level Plans: These plans are prepared by the foreman or the supervisors. They take the existence of the actual workplace and the problems connected with it. They are formulated for a short period of time and called short term plans.

On the basis of time:

Long Term Plan: Long-term plan is the long-term process that business owners use to reach their business mission and vision. It determines the path for business owners to reach their goals. It also reinforces and makes corrections to the goals as the plan progresses.

Intermediate Plan: Intermediate planning covers 6 months to 2 years. It outlines how the strategic plan will be pursued. In business, intermediate plans are most often used for campaigns.

Short-term Plan: Short-term plan involves plans for a few weeks or at most a year. It allocates resources for the day-to-day business development and management within the strategic plan. Short-term plans outline objectives necessary to meet intermediate plans and the strategic planning process.

On the basis of use:

Single Plan: These plans are connected with some special problems. These plans end the moment of the problems to be solved. They are not used, once after their use. They are further re-created whenever required.

Standing Plan: These plans are formulated once and they are repeatedly used. These plans continuously guide the managers. That is why it is said that a standing plan is a standing guide to solving the problems. **These plans include mission, policies, objective, rules and strategy etc.**

REFER PPT

Decision-Making

- According to Haynes and Massie, 'Decision-making is a process of selection from a set of alternative courses of action which is thought to fulfill the objective of the decision-problem more satisfactorily than others'.

Process of decision making.

1. Defining the Problem-The first step in decision-making is that of recognizing and identifying the problem. The problem may arise due to unfulfilled goals or due to deviation from the desired state of affairs. The real problem may be inappropriate product, unsuitable price policy, faulty distribution or lack of sales promotion.

2. Analyzing the problem-Analysis of the problem involves determining its causes and scope. The quality of decision will depend upon the quality of information used. Therefore, collection of accurate and appropriate data is very important in decision making.

3. Developing Alternative solutions-After defining and analyzing the problem with the help of relevant information, the decision maker has to develop alternative solutions for the problem.

4. Evaluating the Alternatives-The various developed alternatives are compared and scrutinized to identify the pros and cons of each alternative. Before evaluation, the criteria for evaluation should be specified. Peter Drucker has suggested the following factors for evaluating alternative courses of action-

- (a) Risk
- (b) Economy of effort
- (c) Timing
- (d) Limitation of resources

5. Selecting the Best Solution-Choosing the best alternative is the most critical part of the decision-making process. Koontz and O' Donnel have suggested the following basis for selection among alternatives.

- (a) Experience
- (b) Experimentation
- (c) Research and Analysis

6. Implementing the Decision-Once a decision is taken, it needs to be put into practice. Implementation involves several steps. First the decision should be communicated to all concerned employees. Secondly, responsibility for carrying out the decision is assigned to specific individuals. Thirdly, any resistance to the decision has to be overcome.

7. Feedback and control-Once the decision has been put into practice, actual results of action should be compared with the expected results. If there is any deviation the same should be analyzed to identify the causes.

Unite 2 part 2

ORGANIZING

- Organizing is the function of management which follows planning.

Planning is What to do...Organizing is how to do

- Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority responsibility relationships among them

Objectives/ Importance of organizing: -

1. Helps to achieve organizational goal

2. Optimum use of resources- smooth flow of activities

To make optimum use of resources such as men, material, money, machine and method, it is necessary to design an organization properly

3. To perform managerial function

Planning, Organizing, Staffing, Directing and Controlling cannot be implemented without proper organization

4. Avoid conflict and duplication of efforts

Nature of Organizing: -

- The following are the important characteristics of organization -

1. Division of work or specialization- In specialization, various activities are assigned to different people who are specialists in that area. Specialization improves efficiency

2. Orientation towards goal-Organizing aligns the individual goals of the employees with overall objectives of the firm

3. Composition of individuals and groups- Individuals are grouped into departments and their work is coordinated and directed towards organizational goals

4. Differentiated function-The organization divides the entire work and assigns the tasks to individuals in order to achieve the organizational objectives

5. Continuous Process

Organizing process: -

- 1.Determination of objectives
2. Identification and grouping of activities
3. Assignment of Duties
- 4.Developing Authority-Responsibility relationships

Types of organization: -

- There are two types of organizations formed on the basis of relationships in an organization

1. Formal Organization - This is one which refers to a structure of well-defined jobs each bearing a measure of authority and responsibility. Ex: HR, Marketing dept

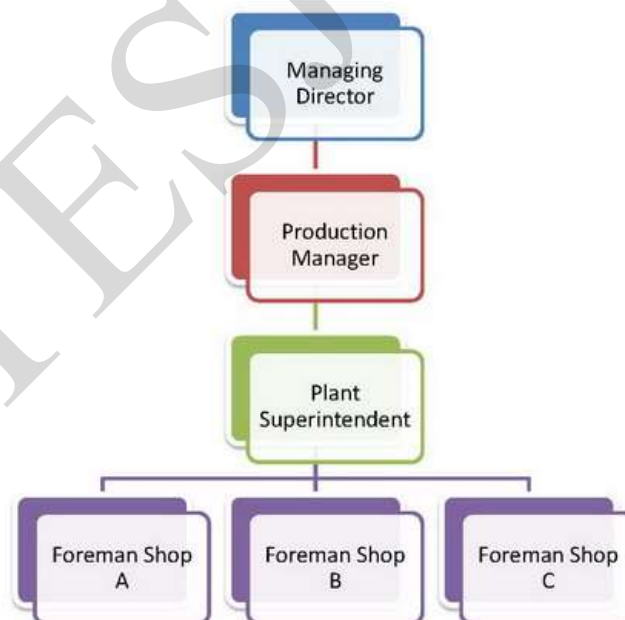
2. Informal Organization - It refers to a network of personal and social relationships which spontaneously originates within the formal set up.

- Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions
- Ex: Lunch group, sports group

Traditional forms of organization: -

1.LINE ORGANIZATION

- In this kind of structure every manager exercises a direct authority over his subordinate who in turn directly reports to their superiors.
- Lines of authority are vertical i.e. from top to bottom.
- Each department is self-contained and works independently of other departments
- There are no staff specialists
- Suitable for small scale organizations and organizations with automatic and continuous production function



ADVANTAGES: -

- Simple to establish and operate
- Promotes prompt decision making

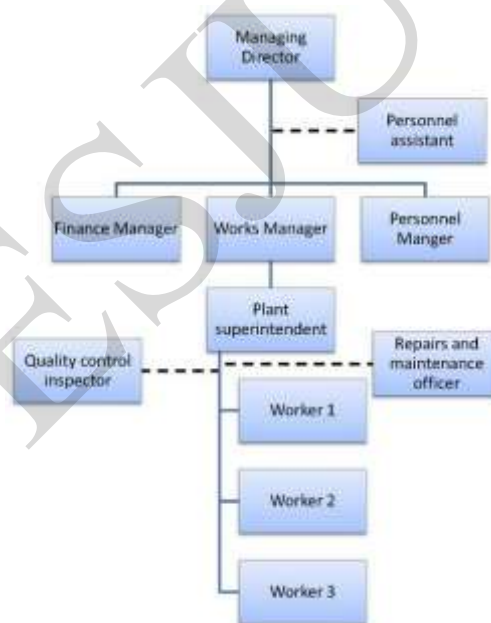
- Easy to control as the managers have direct control over their subordinates
- Communication is fast and easy as there is only vertical flow of communication

DISADVANTAGES: -

- Lack of specialization-line executive cannot be expert in all functions
- Managers might get overloaded with too many things to do
- Failure of one manager to take proper decisions might affect the whole organization

2.LINE AND STAFF ORGANIZATION: -

- According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff (experts) supervisors. There are two lines of authority which flow at one time in a concern:
- a. Line Authority
- b. Staff Authority
- Suitable for medium and large organizations



ADVANTAGES: -

- Line managers are provided by expert advice by these specialists
- BETTER DECISIONS-Staff managers provide specialist advice which can improve quality of decisions in various departments
- SCOPE OF GROWTH-there is greater scope of growth as assistance and advice from specialists is available to cope up with high volume of work

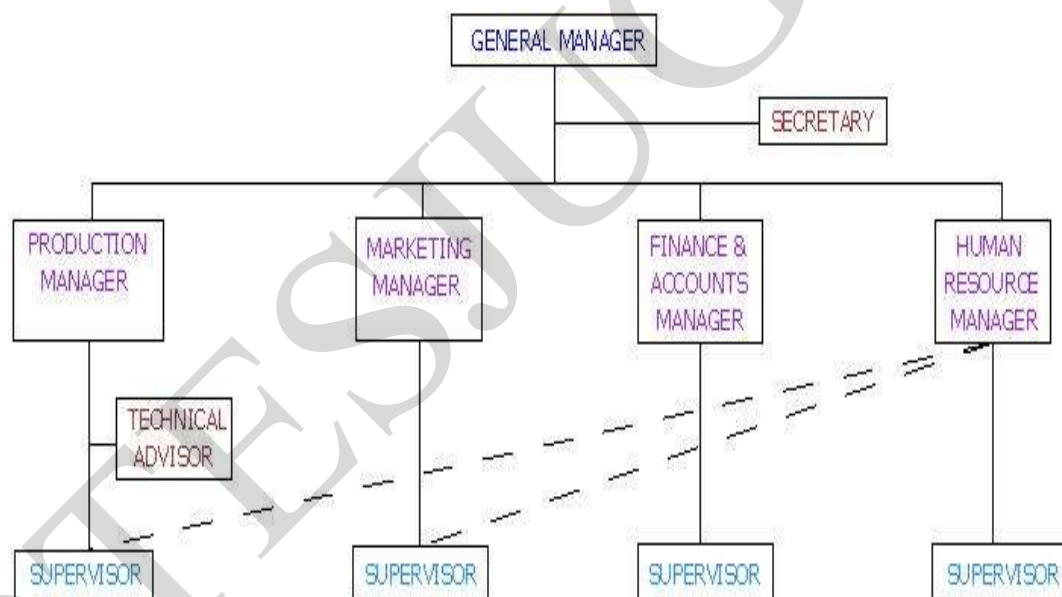
DISADVANTAGES

- Relationship between line and staff member may create confusion
- Lack of authority may affect the interest of the staff member
- Costly- to maintain the high remuneration of staff specialist

Functional Organization: -

- Developed by F. W Taylor, evolved from functional foremanship
- The organization is divided into a number of functional areas.
- This organization has grouping of activities in accordance with the functions of an organization such as production, marketing, finance, human resource and so on
- There is multiplicity of command instead of unity of command

FUNCTIONAL ORGANIZATIONAL CHART



Advantages: -

- Reduction of workload- every functional expert will supervise his area only
- It brings specialization and innovations
- Better control as the manager in charge of each functional department is usually a specialist

Disadvantages: -

- Conflicts between different functions could be detrimental for the organization as a whole

- Difficult for general managers to coordinate different departments
- Strict enforcement of discipline is questionable

Project organization: -

- It is a temporary structure designed to accomplish a specific project/task, led by project manager
- Under this a team of specialists from different functional department is created for each project

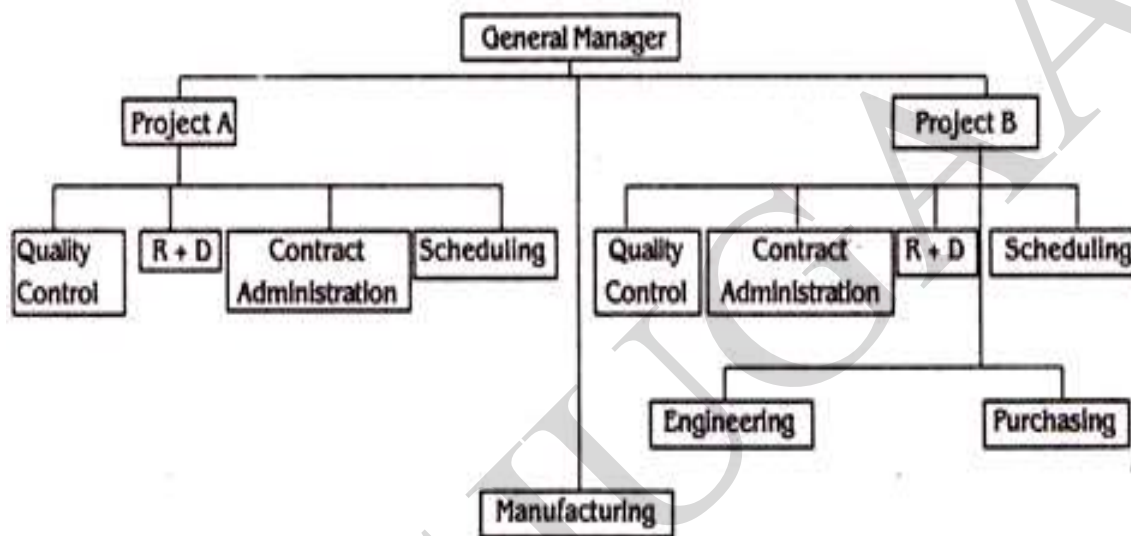


FIG. 6.13 : PROJECT ORGANISATION

Advantages: -

- Enables organization to adapt to the environmental demands
- Allows use of specialized knowledge available in the organization
- Facilitates timely completion of a project without affecting the normal activities within the organization

Disadvantages: -

- Creates feeling of uncertainty and insecurity among people
- Less loyalty of people with the organization
- Project manager faces problems due to lack of authority

Q. 9. A company manufacturing sewing machines set up in 1946 follows formal organization structure. It is facing a lot of problems such as delay in decision-making. As a result, it is not able to adapt to the changing business environment. The workforce is also not motivated, there is problem of red tapism and employees' turnover is very high.

1. Advise the company with regard to change it should bring about in its organization structure to overcome the problems faced by it.
2. Give reasons in terms of benefits it will derive from the changes suggested by you.
3. In which sector can the company diversify keeping in mind the declining market for the product the company is manufacturing?

Ans.

1. The company should give due importance to informal organizational structure along with the formal structure. It enhances their job satisfaction. This will overcome the problem of lack of motivation. Informal groups can also provide useful communication channels, which may help to transmit useful information quickly.
2. Benefits of informal organizational structure;
 1. Faster spread of information:
 2. Fulfillment of social needs;
3. Fills inadequacies of formal structure:
 1. The company can diversify its activities by introducing embroidery machines. It can also design special machines keeping in mind the requirement of ready – made garment manufacturers, etc. by diversifying in the same field, it can get maximum utilization of existing resources.

Matrix organization/ Grid: -

- It combines two structures – functional departmental organization and project structure, thus hybrid in nature
- It is permanent organization structure designed to accomplish a specific project by using team of specialists drawn from different functional departments
- There are functional and project managers
- Suitable for aerospace, advertising, hospitals which have specified time and cost framework

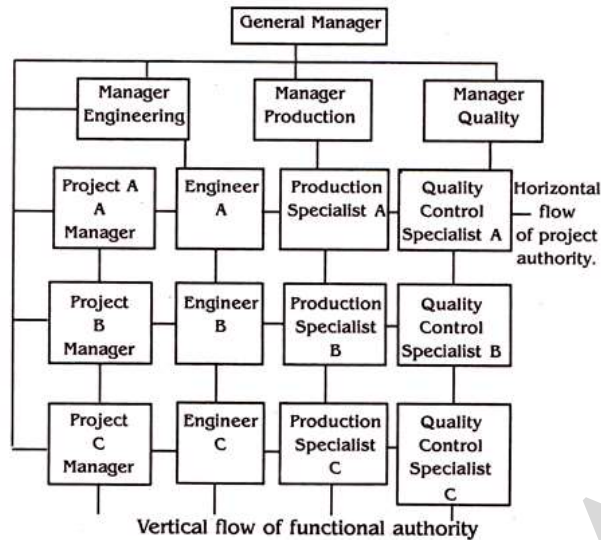


FIGURE 6.14 : MATRIX ORGANISATION

Advantages: -

- Resources can be used efficiently, since experts and equipment can be shared across projects.
- Increased Motivation
- Efficient Information Exchange-Departments work closely together and communicate with each other frequently to solve issues

Disadvantages

- It violates the principle of unity of command
- Conflict in organization authority
- Lack of commitment to project objectives by employees

Delegation of authority: -

- Delegation is the authority delegated when a superior gives a subordinate discretion to make decisions
- Delegation consists of these three factors:

Assign. of accountability+ Assign. of Responsibility + Assign. of Authority

Successful Delegation(advantages)-

- Makes work easier
- Improves efficiency

- Increases employee effectiveness
- Ensures that the right people do the right jobs

AUTHORITY: -

- It means the power to take decisions
- It is the legal right of a person or a superior to command his subordinates
- Features-
 1. Authority can be assigned to some other person
 2. It is related to the post (with the change of post, even authorities change). It makes implementation of decisions possible
 3. It is the key to a managerial job, because a post without authority cannot be a managerial post

RESPONSIBILITY: -

- Responsibility is the obligation of a subordinate to properly perform the assigned duty
- **Features: -**
 1. The essence of responsibility is to be dutiful
 2. It gets originated because of superior-subordinate relationship
 3. Responsibility cannot be shifted and is absolute

Basic of Distinction	Authority	Responsibility
Meaning	The power or right of a superior to give order to others	It is an obligation to perform the assigned duty or order
Sources of Origin	It emerges from a formal position in the organisation	It emerges from superior subordinate relationship
Direction of Flow	It flows downwards i.e. from top to bottom level	It flows upward i.e. from bottom level to top level

Purpose	Its purpose is to make decisions and get the decisions executed	Its purpose is to execute the duties assigned by the superior
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“Centralization” is the systematic and consistent reservation of authority at central points in the organization- ALL THE DECISIONS ARE TAKEN BY TOP EMPLOYEES



When do organizations tend to be centralized?

- The size of the organization is small and the stage of business is initial
- Business activities are concentrated at a single point
- Lower level managers are not capable of taking good decisions
- Top managers are of dominating nature
- Organization is facing a crisis

ADVANTAGES: -

- Uniform Policy can be evolved
- Decreases complexity of co-ordination that is observed in decentralised structure
- Organisation is relieved of the burden of looking for more qualified middle manager and reduce training cost on these personnel

DISADVANTAGES: -

- Top management is over burdened with many functions and problems associated with them

- Not flexible -Bad at handling change
- Comparative performance appraisal may become difficult as the span of control is too large

“Decentralization” is a systematic delegation of authority at all levels of management and in all of the organization



Factors determining degree of decentralization- When to Decentralize?

1. **Size of the organization:** - If org. is large, if Company is geographically dispersed go for it
2. **Management philosophy:** - If participative leadership/ employee involvement is followed, go for it
3. **Availability of managers:** - if good managers are available then there is more possibility of decentralization of work
4. Costliness of decisions
5. **Rate of change in organization/ Environment is uncertain:** - if organization is fast developing more chances of decentralization

Advantages: -

1. Reduces the burden on top executives

2. Facilitates diversification
3. Executive Development
4. Decision making is quicker
5. Increased motivation and morale
6. Balanced organizational structure

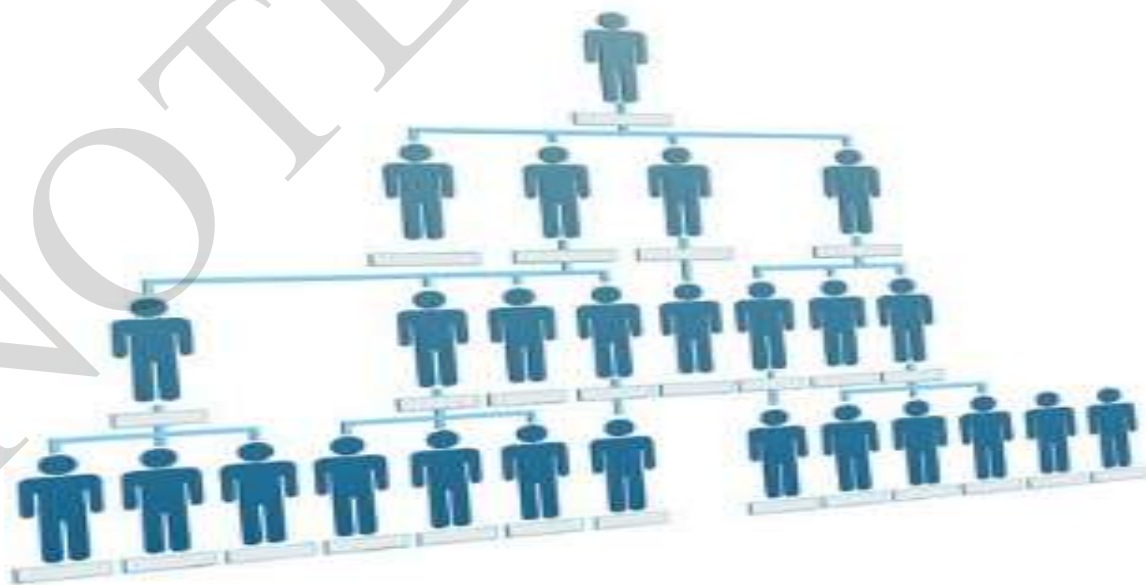
Limitations: -

- Makes uniform policy making more difficult
- Increases the complexity of coordination of the decentralized organizational units
- Communication gap
- Limited by lack of qualified managers
- Involves considerable expenses for training managers

As organization have become more flexible and responsive to environmental trades, there's been a distinct shift towards decentralization decision making. This is also known as Employee empowerment, which is giving employees more authority to make a decision.

Span of control: -

- A **span of control** is the number of people who report to one manager in a hierarchy
- ☐ The more people under the control of one manager - the wider the span of control
- ☐ Less means a narrower span of control

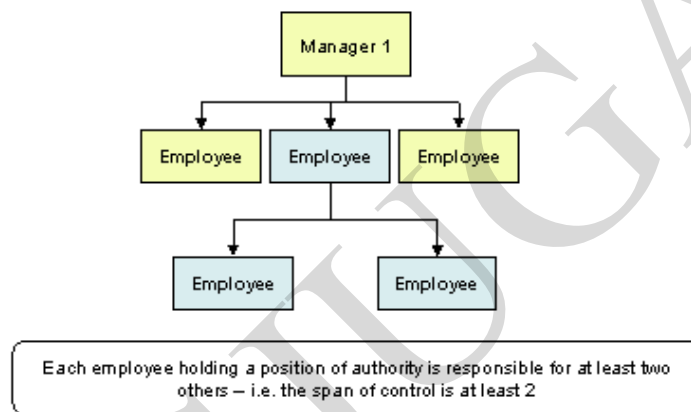


Types of Span of Management: -

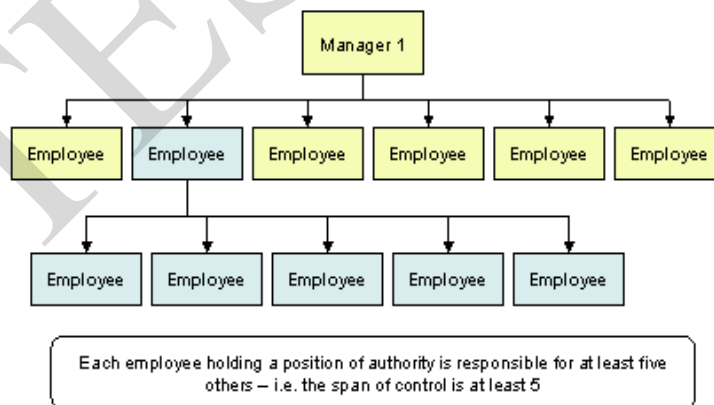
- **Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure
- **Wide span of control:** Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure

There is an inverse relation between the span of control and the number of levels in hierarchy in an organization, i.e., narrower the span, the greater is the number of levels in an organization.

Example of a Narrow Span of Control



Example of a Wide Span of Control



DEPARTMENTATION: -

- Departmentation is the foundation of organization's structure
- It means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features

- As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit

BASIS OF DEPARTMENTATION: -

1. Functional Departmentation
2. Product Departmentation
3. Territorial or Geographical Departmentation
4. Process Departmentation
5. Customer Departmentation
6. Time Departmentation

Functional Departmentation: -

- ❖ This is the simplest and most prevalent basis for departmentation. Under this all the functions of similar nature are divided in different units which are called departments
- **EXAMPLE:** The functions of manufacturing concern can be divided into production department, marketing department, financial department and personnel department. Again, sub departments can be established in each department

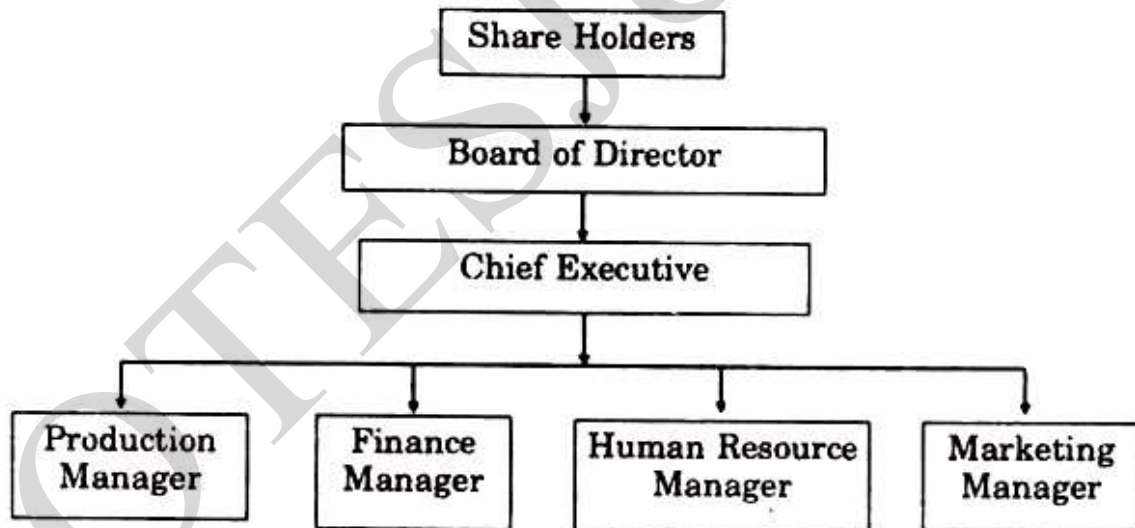


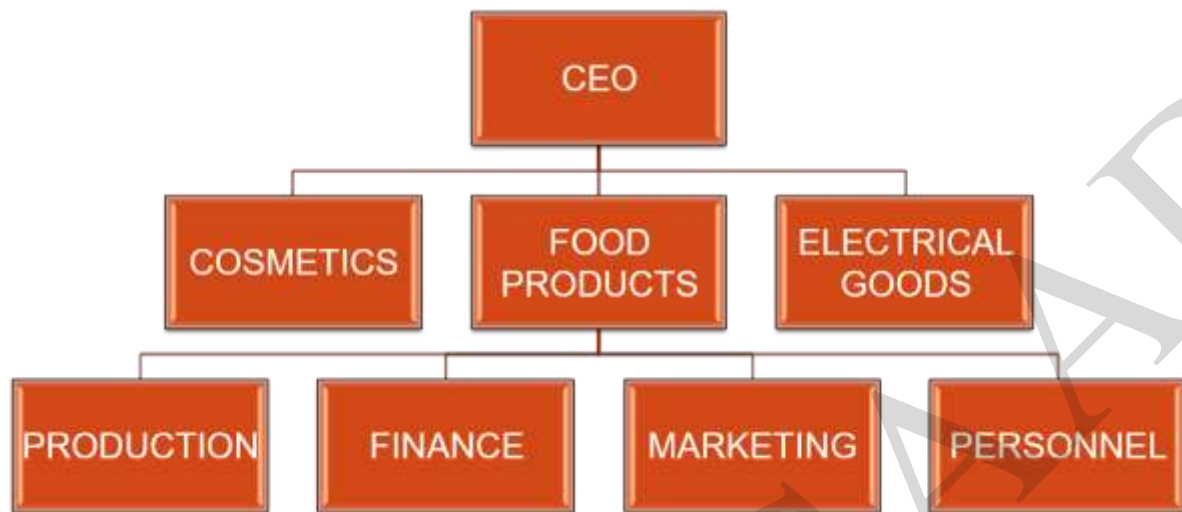
Fig. 6.6. Departmentation by function.

Product Departmentation: -

- Product departmentation involves the grouping together of all the activities necessary to manufacture of a product or product line
- In an automobile organization (ex: Tata's) the departmentation could be car division, truck division, bus division

- Comparison of different departments is possible

Departmentation by products: -



Territorial or Geographical Departmentation: -

Departmentation by territory or geography means, - Grouping of activities by area or territory is common in enterprises operating over wide geographic areas

- Organizations which are involved in banking, insurance, transportation generally follow it
- **EXAMPLE:** India could be divided into north, south, east, west central zones. Further North Zone can be divided into Chandigarh, New Delhi, Ludhiana



Fig. 6.8. Territorial or geographic departmentation

Process wise Departmentation: -

- It is useful for organisations which are engaged in the manufacture of products which involves several processes.

- The basic aim to do process departmentation is to achieve economic benefit

EXAMPLE: Process departmentation in case of textile organization can be by dividing the production into spinning, dyeing, weaving, finishing departments

Departmentation by process: -



Customer wise Departmentation: -

- This type of classification is adopted by enterprises offering specialized services. To give the attention to heterogeneous groups of buyers in the market, marketing activities are often split into various several parts
- The peculiar advantage of customer wise departmentation is that it ensures full attention to different types of customer and their different needs, tastes and requirements

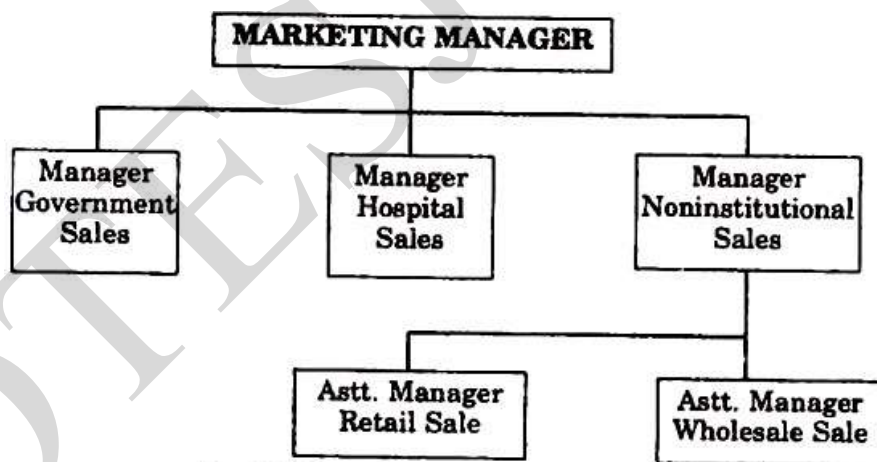


Fig. 6.9. Departmentation by customers

Time wise Departmentation: -

- In some organizations where work is performed through day and night, the work is divided into shifts
- Thus, when organization works in three shifts, three departments exists

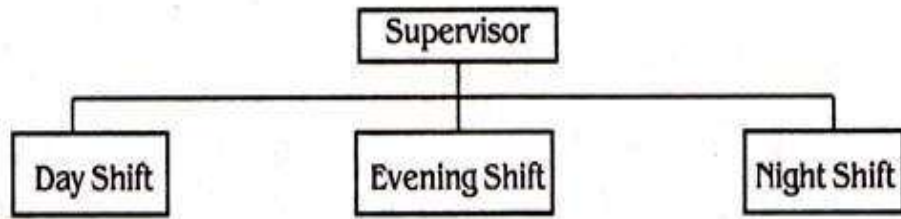


FIGURE 6.5 : DEPARTMENTALIZATION BY TIME