PME UNIT-2 CONCISE

PME UNIT - 2 Notes
Unit 2: Planning, Decision Making, Forecasting, Directing & Leadership (Concise Notes)

1. Planning
● **Nature of Planning (p. 57-58):**
‣ **Definition:** Beginning of management; sets other functions into action (primacy of planning).
‣ **Intellectual process:** Thinking before acting (what, when, how, who).
‣ **Integral:** Decision-making is a core part.
‣ **Continuous process:** Monitoring progress/conditions for change (navigational change); flexibility is key.
‣ **Pervasive function:** Important to ALL managers (top: long-term; lower: short-term/execution).

● **Purpose / Importance of Planning (p. 58-59):**
‣ Minimises Risk & Uncertainty (rational, fact-based).
‣ Leads to Success (proactive > reactive).
‣ Focuses Attention on Organisation's Goals (coordinates resources, avoids overlap).
‣ Facilitates Control (sets standards/benchmarks).
‣ Trains Executives (arouses interest in planning).

● **Types of Plans (p. 59-70):**
‣ **Hierarchy (Fig 4.1):** Consistent up levels.
▷ **Vision (p. 60):** The dream; future direction, aspirations, values.
▷ **Mission (p. 60):** Unique aim; defines scope, guides strategy.
▷ **Objectives (p. 60-63):** Goals/aims to achieve mission; end points.
▪ **Whose?:** Stakeholders (Cyert/March).
▪ **Characteristics:** Multiple, tangible/intangible, priority, hierarchy, potential clash.
▪ **Requirements:** Clear, acceptable, support each other, precise/measurable, valid.
▪ **Advantages:** Basis for planning, motivators, reduce haphazard action, coordinate, control basis, better mgt, legitimacy.
▷ **Strategies (p. 63-65):** Response to competitive environment; SWOT analysis.
▪ **Activities:** Environmental Appraisal, Corporate Appraisal.
▪ **Modes (Mintzberg):** Planning (systematic), Entrepreneurial (proactive), Adaptive (reactive).
▷ **Operational Plans (p. 65-70):** Implementing strategy.
▪ **Standing Plans (p. 65):** For recurring situations.
▫ **Policies (p. 66-68):** General guideline for decision-making.
◦ *Advantages:* Uniformity, speed, delegation, practical shape to obj, lessen conflict.
◦ *Types:* Sources, Functions, Organisational level.
◦ *Guidelines for effective policy-making.*
▫ **Procedures (p. 68-69):** Detailed instructions for sequence of actions. (vs. Policy: guide action, specific).

- ◦ *Advantages:* Uniformity, executive control, employee efficiency.
- ◦ *Limitations:* Limit innovation, duplication/conflict.
- ▫ **Methods (p. 69):** Prescribed way for one step of a procedure. (Motion study).
- ▫ **Rules (p. 69-70):** Specific action must/must not be performed. (vs. Policy/Proc/Method: no discretion, no time seq, not one step).
- ▫ *Standing Plan limitation:* Perfection difficult, creativity vs. security.
- ▪ **Single-use Plans (p. 69):** For a specific end, then dissolved.
- ▫ **Programmes (p. 70):** Precise plans/definite steps in proper sequence for a task (time phasing, budgeting).
- ▫ **Budgets (p. 70):** Financial/quantitative statement of policy (control device/yardstick).

● **Steps in Planning (p. 70-73):**

1. Establishing Verifiable Goals.
2. Establishing Planning Premises (assumptions about future).
   - ▸ *Classification:* Internal/external, Tangible/intangible, Controllable/non-controllable.
3. Deciding the Planning Period (time horizon).
4. Finding Alternative Courses of Action.
5. Evaluating and Selecting a Course of Action.
6. Developing Derivative Plans (for sub-units).
7. Establishing and Deploying Action Plans.
8. Measuring and Controlling the Progress.

● **Limitations of Planning (p. 74-75):**
- ▸ Expensive & time-consuming.
- ▸ Restricts Initiative.
- ▸ Delay in Decision-making.
- ▸ Limited Scope in Rapidly Changing Situations.
- ▸ Inflexible.
- ▸ Inaccurate Premises.
- ▸ Resistance to Change.

● **Making Planning Effective (p. 75):**
- ▸ Overcome: Rigidity (revise), Expensiveness (avoid elaborate), Premises errors (competent staff).
- ▸ Guidelines: Coordination, Communication, Participation (MBO, Bottom-up), Proper Climate.

● **Planning Skills (p. 76):** Think ahead, define objectives, forecast, frame strategies, monitor, support.

● **Strategic Planning in Indian Industry (p. 76):** Growing importance, core competence (SWOT).

● **Competitor Intelligence (CI)**
- ▸ **Definition:** Ethical/legal process: collecting, analyzing, distributing info on competitors.
- ▸ **Purpose:** Anticipate moves, identify opportunities/threats, inform strategy, understand industry.

- ‣ **Activities:** Gather public data, analyze for insights.
- ‣ **Example:** Smartphone co. monitoring rivals' patents/launches.

- ● **Benchmarking**
- ‣ **Definition:** Continuous, systematic process: measure against best-in-class/leaders for improvement.
- ‣ **Purpose:** Identify gaps, learn from others, set targets, stimulate innovation.
- ‣ **Process:** Identify what to benchmark, partners, collect/analyze data, implement.
- ‣ **Example:** Airline studies efficient baggage handling of another.
- ‣ **Types of Benchmarking:**

  1. **Internal:** Compare within own org.

  2. **Competitive (External):** Compare vs. direct competitors.

  3. **Functional (External):** Compare similar functions vs. leaders (even different industries).

  4. **Generic (External):** Compare fundamental processes across industries.

2. Decision-Making
- ● **Meaning of a Decision (p. 82-83):**
- ‣ **Definition:** A choice between two or more alternatives.
- ‣ **Implies:** Choosing (logic/judgment), Alternatives available, Purpose in mind.

- ● **Types of Decisions (p. 83-85, also p. 26-27):**
- ‣ **Programmed & Non-Programmed (p. 83-84):**
- ▪ Programmed: Repetitive, routine (policy/rule).
- ▪ Non-Programmed: Novel, non-repetitive, custom. (Gresham's Law: programmed overshadows non-programmed).
- ‣ **Major & Minor (p. 84):** Based on Futurity, Impact, Qualitative Factors, Recurrence.
- ‣ **Routine & Strategic (p. 84-85):**
- ▪ Routine: Tactical, present, efficiency, lower levels.
- ▪ Strategic: Central, future, deliberation/funds, higher levels.
- ‣ **Individual & Group (p. 85-86):**
- ▪ Individual: One person, routine/simple.
- ▪ Group: Important/strategic, interdepartmental.
- ▫ *Techniques:* Dialectic, Devils Advocacy, Nominal Group, Delphi.
- ▫ *Advantages:* Acceptance, coordination, more info.
- ▫ *Disadvantages:* Longer, indecisive, compromise/groupthink, dominated.
- ‣ **Simple & Complex (p. 26-27):** Based on variables/certainty (Mechanistic, Judgemental, Analytical, Adaptive).

- ● **Steps in Rational Decision-Making (p. 27-28, summarised p. 98) (Fig 5.1):**

  1. Recognising the problem / Deciding Priorities.

  2. Diagnosing the Problem.

3. Developing Alternative Solutions (Creativity: Saturation, Deliberation, Incubation, Illumination, Accommodation).

4. Measuring and Comparing Consequences.

5. Converting Decision into Effective Action.

6. Follow-up of Action.

- **Simon's Four Stages (p. 91):** Intelligence, Design, Choice, Review.

- **Rationality in Decision-Making (Models) (p. 91-94) (Fig 5.2):**
  ‣ **Economic Man Model (Econologic):** Completely rational, maximises, prescriptive.
  ‣ **Administrative Man Model (Bounded Rationality - Simon):** Limited rationality, "satisfice," heuristics, descriptive.
  ‣ **Social Man Model:** Feelings, emotions, social pressures.

- **Environment of Decision-Making (p. 93-97):**
  ‣ **Certainty (p. 94):** Consequences specified, complete info.
  ‣ **Risk (p. 94):** Consequences not certain, but probability known. (Expected Value, Decision Tree - Fig 5.3).
  ‣ **Uncertainty (p. 96):** Probabilities NOT known.
  ▪ **Maximin:** Maximise minimum payoff (pessimistic).
  ▪ **Maximax:** Maximise maximum payoff (optimistic).
  ▪ **Minimax Regret:** Minimise maximum opportunity loss (Table 5.3).

- **Common Difficulties in Decision-Making (p. 97-98):**
  ‣ Non-actionable Information.
  ‣ Unsupporting Environment.
  ‣ Non-Acceptance by Subordinates.
  ‣ Ineffective Communication.
  ‣ Incorrect Timing.

3. Forecasting
- **Meaning (p. 27):**
  ‣ **Definition:** Systematic attempt to predict future business conditions based on past/present data.
  ‣ **Purpose:** Anticipate trends (demand, sales, costs) for planning.
  ‣ **Linkage:** Essential for planning (assumptions) & decision-making (future scenarios).
  ‣ **Example:** Retailer forecasting demand using past sales, economic indicators.

- **Key Objectives of Business Forecasting (p. 28):**
  ‣ Reduce uncertainty in decisions.
  ‣ Support planning (estimate future requirements).
  ‣ Allocate resources efficiently.
  ‣ Identify risks & opportunities.
  ‣ Improve coordination among departments.

- **Classification of Forecasting (p. 28, 29, 30):**
  ‣ **1. Based on Time Horizon:**
  ▪ **Short-Term (days-1 year):** Operational decisions (inventory, staffing).
  ▪ **Medium-Term (months-few years):** Budgeting, resource planning, product dev.
  ▪ **Long-Term (several years+):** Strategic planning, capital investment.
  ‣ **2. Based on Function or Purpose (p. 30):**
  ▪ **Sales Forecasting:** Future demand.
  ▪ **Financial Forecasting:** Revenues, costs, profits.
  ▪ **Technological Forecasting:** Tech trends/breakthroughs.
  ▪ **Economic Forecasting:** Macroeconomic variables (inflation, GDP).
  ‣ **3. Based on Method (p. 30):**
  ▪ **Qualitative:** Judgment, intuition, expert opinion (scarce/irrelevant data).
  ▪ **Quantitative:** Statistical/mathematical models, historical data.

- **Methods and Techniques of Forecasting (p. 30-32):**
  ‣ **1. Qualitative Methods (Judgmental):**
  ▪ **Expert Opinion:** Consulting knowledgeable individuals.
  ▪ **Market Research / Surveys:** Gather data from (potential) consumers.
  ▪ **Delphi Technique:** Anonymous, iterative expert panel consensus.
  ▪ **Historical Analogy:** Compare with similar past situations/products.
  ‣ **2. Quantitative Methods (Statistical):**
  ▪ **Time Series Analysis:** Use historical data over time (trends, seasonal).
  ▫ *Moving Averages:* Smooths fluctuations.
  ▫ *Exponential Smoothing:* Weights recent data more.
  ▪ **Trend Projection:** Extrapolate long-term trends (e.g., linear regression).
  ▪ **Regression Analysis:** Relationship btw dependent & independent variables.
  ▪ **Econometric Models:** Complex systems of multiple regression equations.

- **Importance of Business Forecasting (p. 29):** Proactive DM, accuracy in planning, minimises risks, competitive position, optimises resources.

- **Limitations of Forecasting (p. 29):** Assumptions may not hold, cannot eliminate uncertainty, accuracy depends on data quality, external factors.

- **Choosing the Right Method (p. 32):** Depends on data availability, uncertainty, time frame, accuracy needed, cost/time. (Often combination).

4. Directing

- **Definition (p. 360, 411):** Guiding, instructing, motivating, supervising employees; leading & influencing.
  ‣ Continuous, dynamic, connects planning/execution. **Heart of management.**

- **Scope:** Influencing behavior, communication, motivation, leadership, supervision.

- **Human Factors (p. 360, 361, 374-375):** Human-centric.
  ‣ **Human Behaviour in Org (p. 374):** Understanding people at different levels.
  ‣ **MARS Model (p. 374-375):** Motivation, Ability, Role Perception, Situation. (5 forms of org behavior).

- **Creativity and Innovation:**
  ‣ Autocratic directing can discourage (p. 363).
  ‣ Fostering innovation is an activity (p. 364).
  ‣ **Impact of Directing Style:** Autocratic stifles; Participative nurtures.
  ‣ **Fostering Innovation as Directing Activity:** Facilitating new methods; encouraging suggestions, supporting experimentation, providing resources.

- **Harmonizing Objectives (p. 365):** Align individual & organizational objectives.

- **Leadership:** Key aspect (discussed separately).

- **Types of Directing Techniques (p. 362-364, 413-414) (Fig 13.1):**
  ‣ **Democratic/Consultative:** Mgrs consult, opinion before decision; improves relations/quality.
  ‣ **Autocratic/Dictatorial:** Mgrs decide/order without consulting; faster decisions, discourages initiative.
  ‣ **Free-rein/Laissez-faire:** Powers delegated; mgr observer; for knowledgeable subs.

- **Managers as leaders:** Directing involves leadership.

- **Characteristics of Directing (p. 360-361, 411-412):** Top-down, Command, Pervasive, Continuous, Influences human behaviour, Delegated.

- **Process of Directing (p. 362, 413-414):** Initiates, manages, completes. Steps: Motivating, Facilitating, Coordinating, Delegating, Managing conflict.
  ‣ **Activities in Directing (p. 364-365, 414-415):** Many, incl. guidance/motivation, developing methods.

- **Principles of Effective Directing (p. 365-366, 415-417) (Fig 13.2 Elements):** Harmony of objectives, direct supervision, unity of command, etc.

- **Elements of Directing (p. 366-368) (Fig 13.2):**
  ‣ **Motivation (p. 367):** Internal state arousing action.
  ‣ **Communication (p. 367-368):** Info shared/understood.
  ‣ **Leadership (p. 368):** Influencing behavior for goals.
  ‣ **Supervision (p. 368-373):** Link btw mgrs & workers (first level).
  ▪ *Definitions:* First level, charge of, interface.
  ▪ *Characteristics:* Interface, operational decisions, roles (leader, DM), day-to-day.
  ▪ *Types:* Employee-centred vs. Job/task-centred.
  ▪ *Approaches:* Systematic, Human relations, Quantitative, Contingency.
  ▪ *Challenges:* Lack of support, tech changes, role confusion, motivating workforce.
  ▪ *Essential Characteristics of Effective Supervisors:* Dual skills, job knowledge, openness, motivating, training.

5. Leadership

● **Definition (p. 406, 410):** Process of influencing people to work hard for goals / leading a group to achieve goals.

● **Characteristics (p. 406-407, 410-411):** Goal-based, Power-based, Pervasive, Persuasive, Interactive, Influence-based, Interpersonal, Continuous, Situational, Vision/Comm, Trust, Change/Innovation.

● **Leadership vs. Management (p. 407):**
‣ Leadership: Works ON the system (vision, change, creativity, proactive).
‣ Management: Works IN the system (stability, order, problem-solving).

● **Process of Leadership (Conger) (p. 408):** 1. Develop vision. 2. Communicate vision. 3. Build trust. 4. Show ways/means.

● **Leadership Theories (p. 408-422 CH15; also CH16) (Fig 15.1 Map):**
‣ **Trait Approach (p. 408-409, 410):** Leaders born; identifies traits (Drive, Desire to lead, Honesty, etc. - Exhibit 16-1).
‣ **Behavioural Approach (p. 409, 411-415):** Leaders made; identifies behaviours.
▪ **Kurt Lewin's study (p. 411):** Authoritarian, Democratic, Laissez-faire styles.
▪ **Ohio State studies (p. 411-412):** Initiating Structure (task) & Consideration (people) (Fig 15.2).
▪ **Univ. of Michigan studies (p. 413):** Production-centred & Employee-centred.
▪ **Managerial Grid (Blake/Mouton, p. 413-415):** Concern for Production & People (1-9 scale); 5 styles (Impoverished, Authority-Compliance, Middle-Road, Country Club, Team Mgt - Ideal 9,9) (Fig 15.3).
‣ **Contingency/Situational Approaches (p. 416-421 CH15; 413-417 CH16):** Style depends on situation.
▪ **Fiedler's Model (p. 416):** Match fixed leader style (LPC) & situational favorableness.
▪ **Hersey & Blanchard's Situational Model (p. 416-417):** Follower readiness (ability/willingness); 4 styles (Telling, Selling, Participating, Delegating).
▪ **Tannenbaum & Schmidt's Continuum (p. 417-418):** Range from boss-centred to subordinate-centred.
▪ **Robert House's Path–Goal Model (p. 418-420):** Leader clears path for subs; 4 behaviours (Directive, Supportive, Participative, Achievement-oriented) (Fig 15.4).
▪ **Vroom & Jaga Model (p. 420-421):** Subordinate involvement in DM; 3 decision categories.
‣ **Other Approaches (p. 421-422 CH15):**
▪ **Vertical Dyad Linkage (VDL):** "In-group" & "out-group".
▪ **Transactional & Transformational Model:**
▫ *Transactional:* Exchange for pre-determined goals.
▫ *Transformational:* Inspire to exceed expectations, change values.
‣ **Leadership & Organizational Life Cycle (p. 422-423 CH15):** Different styles for different stages.

● **Contemporary Views of Leadership (1980s - Present):**
‣ **Leader-Member Exchange (LMX) (p. 421 CH15, 417 CH16):** Two-way relationship, in/out-groups.
‣ **Transactional vs. Transformational (reiteration).**

- **Charismatic Leadership (p. 418 CH16):** Attributed heroic abilities, personal charm.
- **Authentic Leadership (p. 420 CH16):** Moral, self-aware, transparent.
- **Ethical Leadership (p. 420 CH16, 423-426 CH15):** Integrity, fairness, accountability.
- **Servant Leadership (p. 421 CH16):** Serve others first, humility, empathy.
- **Team Leadership:** Collaboration, empowerment, facilitator role.
- **Cross-Cultural Leadership (p. 427 CH15):** Adapting styles for diverse global teams.

● **Recent Trends (p. 423-427 CH15):**

- **Ethical Leadership (p. 423-426):** Principles determining behavior; types (Descriptive, Normative, Interpersonal); approaches (Utilitarian, Rights, Justice); Int'l business ethics.
- **Strategic Leadership (p. 426-427):** Top execs leading change, understanding org/env.
- **Cross-cultural Leadership (p. 427):** Cultural values influence; motivate diverse groups.

● **Implications for Contemporary Leadership Practices:**

1. No Single "Best" Style: Flexible & adaptable.

2. Importance of Self-Awareness & Development: Skills can be learned.

3. Focus on Relationships & People: Building trust, motivating.

4. Ethical & Values-Based Leadership: Integrity, authenticity.

5. Empowerment & Participation: Involving followers.

6. Vision & Inspiration: Communicating a compelling vision.

7. Understanding Followers: Tailor approach to characteristics.

8. Adaptability to Global & Diverse Contexts: Cultural intelligence.

9. Leadership is a Process, Not Just a Position.

10. Training & Development are Key.

● **Leadership Succession Planning (p. 427 CH15):** Appointing top-level execs.

● **Issues Affecting Leadership (21st Century Issues) (p. 424-428 CH16):**
- **Managing Power (p. 424):** 5 sources (Legitimate, Coercive, Reward, Expert, Referent).
- **Developing Credibility & Trust (p. 424-426):** Honesty, competence, inspiring; 5 dimensions of trust (Integrity, Competence, Consistency, Loyalty, Openness).
- **Leading Virtual Teams (p. 426):** Challenges of cohesion; need different approach.
- **Leadership Training (p. 426-427):** Orgs invest; AI training.

● **When Leadership May Not Be Important (p. 427-428 CH16):**
- **Substitutes for Leadership:** Individual/job/org variables replace need (e.g., skilled employees).
- **Neutralizers of Leadership:** Conditions prevent effectiveness (e.g., lack of authority).
- **Conclusion:** Leadership not always critical; env/task/team can replace/reduce need.