

UNIT - II

2

Planning

Syllabus

Nature and purpose of planning - planning process - types of planning - objectives - setting objectives - policies - Planning premises - Strategic Management - Planning Tools and Techniques - Decision making steps and process.

Contents

2.1	<i>Introduction</i>	Dec.-12, 11, 09, 08, 05, 14, 18,	
		May-11, 16, Marks 16
2.2	<i>Planning Process</i>	May-11, 10, 08, 07, 05, 14, 19	
		Dec.-13, 12, 11, 07, 06, Marks 16
2.3	<i>Corporate Business Planning</i>	May-17, Marks 13
2.4	<i>Types of Plans</i>	Dec.-17, 16, 11, 09, 07, 04,	
		May-13, 11, 10, 08, 07, 14, 15, 18 Marks 16
2.5	<i>Planning Tools</i>	Dec.-12, 09, 04, 14, 17	
		May-12, 11, 10, 09, 08, 07, 15, 18 Marks 16
2.6	<i>Advantages, Limitations and Barriers of Planning</i>	May-11, Marks 8
2.7	<i>Developing Business Strategy</i>	Dec.-12, 05, May-15 Marks 10
2.8	<i>Planning Premises</i>	May-07, Marks 2
2.9	<i>Forecasting</i>	Dec.-11, 09, 07,	
		May-10, 07, Marks 16
2.10	<i>Decision Making</i>	Dec.-17, 16, 13, 11, 06, 05, 18,	
		May-13, 12, 11, 08, 07, 05, 14, 15, 16, 17, 19 Marks 16
2.11	<i>Case Study</i>	May-19 Marks 15

Two Marks Questions with Answers

2.1 Introduction**AU : Dec.-12, 11, 09, 08, 05, 14, 18, May-11, 16**

- Planning is the basic function of management. For an organization to be successful following points are important.
 - Organization's overall mission
 - More specific goals
 - Carefully configured plans
- **Planning** is the management function that involves setting of goals and deciding the best method to achieve them.
- Planning is most important and basic activity of management. The function also includes considering what must be done to encourage necessary levels of change and innovation.
- Planning provides a basis for the other major functions of management : organizing, leading and controlling. Manager with his subordinates sets the required goals, establishes the policies, standard methods, develops program strategies and schedules to achieve the goals.
- The plan must be flexible so that it can be modified due to change in working environment and new information.
- Planning is looking ahead and control is looking back.

2.1.1 Definitions of Planning**AU : Dec.-09, 08**

- The definition of planning given by various authors are given below :
1. **Koontz and O'Donnell** defined it as - "*Planning is an intellectual process, the conscious determination of course of action.*"
 2. **George Terry** defines it as - "*Planning is the selecting and realizing of facts in the visualization and information of proposed activities believed necessary to achieve desired results.*"
 3. **Louis A. Allen** defines it as - "*Planning involves the development of forecast, objectives, policies, programs, procedures, schedules and budgets.*"

2.1.2 Objectives of Planning**AU : Dec.-11, 05**

- i) To anticipate future conditions and problems in advance.
- ii) To choose economical alternatives.
- iii) For making efficient and effective management.
- iv) To avoid duplication, overlapping, cross purpose working.
- v) To check and control the overall performance.
- vi) To co-ordinate distinct activities to a common goal.

- vii) To improve productivity.
- viii) Planning provides the basis for other functional activities.

2.1.3 Nature of Planning

AU : May-11

- The important natures of planning can be highlighted by studying following aspects :

A] Contributing to Mission and Goal

- Every plan must be directed towards the accomplishment of the goal and hence the mission of the enterprise. To improve the performance of enterprise the plans must be effective and integrated.

B] Foundation of Management

- The managerial functions-organizing, leading and controlling are also objected to achieve the organization's goal. Planning function of management comes first in all above managerial functions.
- Planning and controlling can not be separated. Any attempt to control without plans has no meaning. Planning provides the standard and degree of control.

C] Range of Planning

- Planning is basic management function. Planning varies with authority and policies laid by superiors. All managers from chief executive officer of company to supervisors plan their activities. The planning differs according to the level in the organization.
- Top management planning is called as **strategic planning**. Strategic plans are detailed action steps mapped out to reach strategic goals.
- Middle management plans are called as **tactical plans**. Tactical plans are the means charted to support implementation of the strategic plan.
- First level management plans are called the **operational plans**. Operational plans are the means devised to support implementation of tactical plans and achievement of operational goals.

Fig. 2.1.1 shows nature of planning. (Refer Fig. 2.1.1 on next page).

2.1.4 Dimensions of Planning

- Five dimensions of corporate business plan are
 1. Time
 2. Entity
 3. Organization
 4. Elements
 5. Characteristics

**Fig. 2.1.1 Nature of planning****1. Time**

- A business plan may be either short range or long range. A plan may be executed year after year on rolling basis. If needed it can be extended to get the opportunities to correct or revise.

2. Entity

- The objective on which the plan is focussed is called entity of plan. The entity can be production quantity or a new product. A plan can have multiple entities and may be related with finance, marketing, research, manpower. The goals or objectives are often stated in terms of these entities.

3. Organization

- A plan deals with the company and is divided into functional groups. Functional division of plan helps to fix the responsibility for execution. The corporate plan is a master plan consisting of several functional plans.

4. Elements

- A corporate plan consists of several elements. The plan begins with mission and goal of the organization. It provides direction, policy statements, style of functioning, rules, procedures.
- The budgets are prepared for sales, production, stocks, resources. The success and failure of plans are decided by the performance of plans.

5. Characteristics

- A corporate plan has no definite characteristics. Characteristics define the convenience, understanding in organization.
- A plan is characterized by quantitative, qualitative, flexible, rational, goals, resources, investments, schedules. The plan is based on some assumptions about the future, strength and weaknesses.

University Questions

Q.1 Bring out nature and importance of planning.

AU : May-11, Marks 16

Q.2 What is the main purpose of planning ?

AU : Dec.-11, Marks 2

OR

What are the objective of planning ?

AU : Dec.-05, 13, Marks 2

Q.3 What is planning ?

AU : Dec.-09, Marks 2

Q.4 Define planning.

AU : Dec.-12, 08, Marks 2

Q.5 What is planning ? Describe the steps involved in planning. **AU : Dec.-14, Marks 16**

Q.6 What are the objectives of planning ? Illustrate how you will set objectives for a manufacturing organization. **AU : May-16, Marks 16, Dec.-18, Marks 13**

2.2 Planning Process **AU : Dec.-13, 12, 11, 07, 06, May-11, 10, 08, 07, 05, 14, 19**

- A plan is defined as the means devised for attempting to reach a goal.
- **Planning** is the management function that involves setting goals, formulating missions and objectives then deciding how best to achieve them.
- Managers make extensive use of decision making skills, various planning and decision aids in carrying out the planning function. Therefore plans provide a reasonable approach for achieving objectives.
- Planning process involves following steps : 1. Mission 2. Goals 3. Plans. 4. Goal Attainment
- An overall view of planning process is shown in Fig. 2.2.1.

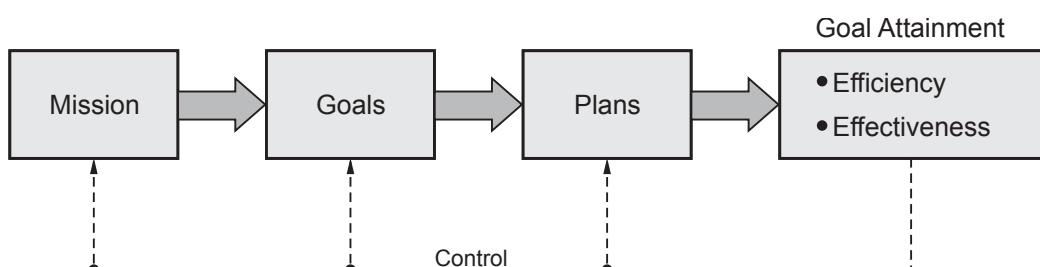


Fig. 2.2.1 Planning process

2.2.1 Mission**AU : Dec.-07**

- The **mission** of an organization is organizations purpose or fundamental reason for existence.
- A **mission statement** is a broad declaration of the basic, unique purpose and scope of operations that distinguish the organization from other organizations of its type.

2.2.2 Goal / Objectives

- A **goal** is a future target or end result that an organization wishes to achieve.
- A goal is a statement of a specific, desired performance result with a time frame. A well-written goal should state what is to be accomplished and by when. Goal provides the members of organization a vision essential to the organizations success.
- Only clearly defined goals provide people with the focus, direction and understanding they need to perform effectively and contribute to the organization achieving its purpose.
- Consider the following goal statement of a company concerned about customer satisfaction : "To improve customer service". Although this statement seems to describe a goal, it is too vague to be useful. It does not pinpoint how much improvement is desired or by when or what is meant by "customer service".
- A more effective goal statement would be : "To respond to every customer enquiry or problem courteously and complete within two hours". Now the goal is very clear about the performance result it seeks. It defines the focus (effective response to customer inquiries) as well as the time frame (2 hours).

2.2.2.1 Elements of Effective Goals

- Goals must be defined clearly and effectively to support organizational performance. **SMART** criteria of effective goal is preferred i.e. to be effective the goal should be **S**pecific, **M**easurable, **A**ccepted, **R**ealistic and **T**ime-framed as illustrated below.
 - Specific enough for focus and feedback
 - Meaningful enough to engage participants
 - Accepted by the participants
 - Realistic but challenging
 - Time-framed

- Effective goals provide all the benefits and advantages to the organization as mentioned below :
 - i) A criteria for decisions.
 - ii) A blue print for performance.
 - iii) A basis for feedback.
 - iv) Focus attention on right agenda.
 - v) A basis for co-operation and team work.

2.2.2.2 Objectives

- **Objectives** are the aims, purpose or goals that an organization wants to achieve over a period of time.

Characteristics of objectives

1. Objectives have a hierarchy.
2. Objectives form a network.
3. An organization may have multiple objectives.
4. Objectives have a time span.
5. Objective may be tangible or intangible.
6. Objectives of an organization must confirm to the general needs of the society.

2.2.3 Developing Plans

- A **plan** is the means devised for attempting to reach a goal. A manager must plan all his managerial functions effectively. Plans provide the standard and degree of control. Goals and plans are closely related. Goals are desired results and plans are the means to bring about those results.
- Depending on the period or duration the plan can be categorized into three different types :
 - i) Short Range Plans - Upto 1 year
 - ii) Intermediate Range Plans - 1 to 5 years
 - iii) Long Range Plans - Above 5 years

2.2.4 Goals Attainment

- Setting goals and developing plans will lead to goal attainment ultimately organizational efficiency and effectiveness.
- The **effectiveness** of a plan pertains to the degree to which it achieves the objective.
- The **efficiency** of a plan refers to its contribution to the purpose and objectives. Plans are efficient if they achieve their purpose at a reasonable cost.

- Effectiveness and efficiency of a plan is used to control the overall planning process.

University Questions

Q.1	<i>What is meant by long-term plan ?</i>	AU : Dec.-11, Marks 2
Q.2	<i>Differentiate between effectiveness and efficiency.</i>	AU : May-08, Marks 2
Q.3	<i>What are the steps in planning ? Explain.</i> AU : May-11, Marks 8, Dec.-07, Marks 16	
OR		
	<i>Elucidate the steps to be followed in planning process.</i>	AU : May-07, Marks 8
	<i>What is planning ? Explain the steps involved in planning.</i>	AU : Dec.-06, Marks 16
OR		
	<i>Give an account of various steps involved in planning.</i>	AU : May-05, Marks 8
OR		
Q.4	<i>What is mission ?</i>	AU : Dec.-07, Marks 2
Q.5	<i>Why planning is regarded as primary function of management ? Discuss important features and steps involved in planning.</i>	AU : May-10, Marks 10
Q.6	<i>Define planning. Explain the steps involved in the planning process.</i>	AU : Dec.-12, Marks 8
Q.7	<i>Explain the steps in the planning process.</i>	AU : Dec.-13, Marks 16
Q.8	<i>Explain the importance of planning and the steps involved in planning process.</i>	AU : May-14, Marks 16
Q.9	<i>Analysis the importance of planning and also explain the steps involved in it.</i>	AU : May-19, Marks 13

2.3 Corporate Business Planning

AU : May-17

- Corporate business planning is aimed towards business goals and objectives. The nature of business can be manufacturing or service, industry or trade, may operate in a public or private sector or may be national or international business.
- Even though it is planning within business it should be concerned about world trends in business i.e. its universe is beyond the company. Corporate business plan considers the world business trend. Planning is a complex exercise of difficulties and uncertainties.

University Question

- Q.1** *Explain the general planning process adopted by the business organizations.*

AU : May-17, Marks 13

2.4 Types of Plans**AU : Dec.-17,16,11,09,07,04, May-13,11,10,08,07,14,15,18****2.4.1 Strategic Plans**

- **Strategies** are the large scale action plans for interacting with the environment in order to achieve long term goals.
- Strategic plans focus on the broad future of the organization and incorporate both external environment demands and internal resources into the actions managers need to take to achieve the long term goals of the organization.
- Typically, strategic plans cover the major aspects of the organization, including its products, services, finances, technology and human resources. Although "long-term" has no precise definition, most strategic plans focus on how to achieve goals three to five years into the future.

Strategic Management of Technology

- Strategic planning of technology is must to assure future profitability. Technology can be divided into three major categories.
 1. Base Technology
 2. Key Technology
 3. Pacing Technology

1. Base Technology

- The technologies that any firm must master for becoming effective competitor in the market. Only enough efforts are invested to maintain competence.

2. Key Technology

- The key technology provides competitive advantage. The manufacturer adds unique features or functions into the product to improve the efficiency on priority basis.

3. Pace Technology

- The pace technology can be the key technology for tomorrow. A critical balance is needed between key technology and pace technology that is important for sustaining current competitive position and to create future vitality.

2.4.1.1 Essentiality of Strategic Planning

- In order to keep business progressive, some factors are to be considered essentially. Those factors are :
 1. Market forces
 2. Technological change
 3. Complex diversity of business
 4. Competition
 5. Environment

1. Market forces

- Market forces such as demand, supply, trend of market, consumer behaviour, new product, new technology decides the strategic planning of an organization. The organization must be able to predict these market forces.
- These market forces affects the sales, growth and profitability of the organization, when a problem is arised out of market forces it must be resolved immediately.

2. Technological change

- The technological change can cause threats to existing business. It can create opportunities for new business. The technological changes have affected not only the business prospects but the management and operational styles of the organizations.
- The corporate plan must consider the technological change, otherwise it can bring the organization into difficult problems or can pose a threat to its survival.

3. Complex diversity of business

- A business has a multiple dimensions i.e. it deals with variety of products, different market segments, different manufacturing methods, different locations, different external factors. Few factors can be controlled when the corporate planning considers it in advance. Many factors are uncontrollable in such diverse situations.
- As business grows expansion, integration, diversification processes are natural issues and should be carefully handled by management.

4. Competition

- A business has to compete on number of fronts e.g. technology, quality, prompt service, delivery etc. This is a natural phenomena in a business organization. Management must handle it properly in order to protect business interests by evolving new management strategies (forward thinking and planning).
- Because of competition new products, new markets, new techniques, new technologies are identified also the quality is improved. Hence, competition is important and it should not be underestimated.

5. Environment

- Environments like social, business, economic, industrial, technological affects the business. The environmental changes are difficult to predict.
- The environment is beyond the control of management. Many times the management is unaware by the environmental changes. The changing environment is one of the important barrier in planning.

2.4.1.2 Comparison of Strategy and Policy**AU : May-07**

Sr. No.	Strategy	Policy
1)	Strategies are large scale action plans for interacting with environment in order to achieve long term goals.	Policies are general statements which guides manager's thinking in their decision making function.
2)	Strategies concerns the discretion in which human and material resources will be applied to achieve objectives or goals.	Policies are ensuring that decisions falls within certain boundaries.

2.4.2 Tactical Plans

- Tactics are means needed to activate a strategy and make it work.
- Tactical plans translate strategic plans into specific goals for specific parts of the organization. Consequently they tend to have shorter time frames and to be narrower in scope. Instead of focusing on the entire corporation, tactical plans typically affect a single business unit within an organization.

2.4.3 Operational Plans

- Operational plans translate tactical plans into specific goals and actions for small units of the organization and focus on the near term, typically 12 months or less.
- These plans are the least complex of the three and rarely have an impact beyond the department or unit for which the plan was developed.

2.4.4 Comparison of Strategic, Tactical and Operational Plans

Features	Strategic Plans	Tactical Plans	Operational plans
Time Horizon	Typically 3-5 years.	Often focused on 1-2 years in the future.	Usually focused on the next 12 months or less.
Scope	Broadest : originating with a focus on the entire organization.	Rarely broader than a strategic business unit.	Narrowest : Usually centered on departments of smaller units of the organization.
Complexity	The most complex and general, because of the different industries and business potentially covered.	Somewhat complex but more specific, because of the more limited domain of application.	The least complex, because they usually focus on small, homogenous units.

Impact	Have the potential to dramatically impact, both positively and negatively, the fortunes and survival of the organization.	Can affect specific business but generally not the fortunes or survivability of the entire organization.	Impact is usually restricted to specific department or organization unit.
Interdependence	High interdependence; must take into account the resources and capabilities of the entire organization and its external environments.	Moderate interdependence; must take into account the resources and capabilities of several units within a business.	Low interdependence; the plan may be linked to higher-level tactical and strategic plans but is less interdependent with them.

University Questions

Q.1 State different types of plans. **AU : May-11, Marks 2**

Q.2 Describe in detail the various types of organizational plans. **AU : Dec.-11, Marks 8, May-08, Marks 12**

OR

Elaborate the different types of organizational plans. **AU : May-10, Marks 10**

OR

Briefly discuss about strategic planning and operational planning. **AU : Dec.-09, Marks 10, Dec.-04, Marks 8**

Q.3 Brief on operational planning. **AU : Dec.-07, Marks 2**

Q.4 Define strategic planning. **AU : May-08, Marks 8, Dec.-11, May-07, Marks 2**

Q.5 Distinguish between strategy and policy. **AU : May-07, Marks 2**

Q.6 What do you mean by policy ? **AU : May-10, Marks 2**

Q.7 Define strategic planning. What are the steps involved in strategic planning ? **AU : May-13, Marks 16**

Q.8 Elaborate the different types of organizational plains. **AU : May-15, Marks 10**

Q.9 Discuss in detail about the classification of planning practices. **AU : Dec.-16, Marks 16**

Q.10 Explain in detail the various types of Planning. **AU : Dec.-17, Marks 13**

Q.11 Classify the types of goals organizations might have and the plans they use for accomplishment. **AU : Dec.-17, May-18, Marks 13**

2.5 Planning Tools AU : May-12, 11, 10, 09, 08, 07, 15, 18, Dec.-12, 09, 04, 14, 17

- Managers use a variety of planning tools. Two tools that are widely used, budgets and Managements By Objectives (MBO) are based on factors like creativity, system approach, sensitivity, analysis and modelling.

2.5.1 Budgets

- Budgets are used to quantify and allocate resource to specific activities. In most organizations, budgets are proposed and set annually. A variety of resources can be quantified in budgets, but money is most commonly used.
- There are several types of budgets. For example, a capital expenditure budget specifies the amount of money to be spent on specific items that have long term use and require significant amounts of money to acquire. These items might include such things as equipment, land or buildings.
- Another common budget is an expense budget typically includes all the primary activities on which the unit or organization plans to spend money and the amount that is allocated for each item. Virtually all profit and nonprofit organizations have expense budgets, both for planning and for control purposes.
- Budgets can be an effective means of integration and quantifying many aspects of the corporate, business and functions plans. Although the budgeting process does not guarantee that managers will make good decisions about integrating and co-ordinating activities about priorities, it does help ensure they will at least be discussed.

2.5.2 Management By Objectives (MBO)

AU : May-12, 15, Dec.-12

- The second major planning tool is management by objectives (MBO). MBO is a system in which specific performance goals or objectives for individuals are jointly determined by the individual and his or her immediate boss. Moreover, specific time frames are attached to these objectives, and feedback provided.
- With MBO managers and subordinates jointly agree subordinate's goals (preferably in quantitative terms) and then systematically monitor progress achieved towards their attainment.
- MBO starts at the apex of the organization, the corporate then determines divisional and departmental objectives which are broken down into targets for sections and individuals.
- MBO has four basic components
 1. Specific goals
 2. Participation decision making
 3. Explicit time periods and
 4. Feedback on performance.
- MBO specifies the performance goals that an individual hopes to attain within an appropriate length of time. MBO is also referred as **appraisal by results** or performance objectives.

- The objectives that each manager sets are derived from the overall goals and objectives of organization. A guided self-appraisal system driven by MBO is set and implemented. The objectives are future affairs which the organization strives to achieve and are structured into hierarchy.
- The key to MBO is the mutual relationships between the superior and the subordinate in setting realistic objectives for the subordinate.

2.5.2.1 Importance of MBO

- MBO is employed in almost all large companies in India and it is one of the best tool in minimizing friction between employee and management.
- MBO reduces the conflict between personal and organizational goals, also it provides job satisfaction to the subordinates.
- Since subordinates are also taking part in MBO, such participation leads to commitment towards attainment of objectives.

2.5.2.2 Advantages of MBO

- Advantages of MBO include the following :

 - The involvement of subordinates in setting personal objectives encourages their co-operation and motivation towards achieving targets.
 - Management is forced to clarify its aims and to state the criteria used in their formulation. Superiors and subordinates are obliged to communicate.
 - The causes of successes achieved in attaining objectives can be identified and analysed.
 - Employees are compelled to consider their roles and how best to achieve their targets.
 - Performance appraisal becomes possible.
 - MBO can be related to training and management development programmes.
 - Subordinate's personal achievements are recognised.
 - MBO improves employee commitment towards work and company objective.
 - MBO improves productivity.
 - MBO ensures better utilization of resources.
 - MBO helps in planning and decision making.
 - MBO results in better team work.
 - MBO is useful in development of employee performance.
 - MBO leads to better understanding between superior and subordinate.
 - MBO helps in co-ordinating departmental work in achieving company objective.

2.5.2.3 Disadvantages of MBO

- The disadvantages of MBO are listed below :

 1. Devising MBO programmes is extremely time consuming. A system whereby managers simply impose targets on subordinates without consultation might be more efficient.
 2. Targets might become out of date immediately following their determination.
 3. Certain targets cannot be specified numerically (advisory work, for instance).
 4. Possible overemphasis on the achievement of immediate short-term goals at the expense of long-term objectives.
 5. Difficulties created through subordinates not being given the resources or authority necessary for completion of tasks allocated to them.
 6. MBO increases paper work.
 7. There may be ambiguities in goal setting.
 8. Rewards may not match with efforts.

2.5.2.4 Features of MBO

- The important features of MBO are listed below :

 1. MBO is comprehensive planning and control technique.
 2. MBO provides co-ordinated efforts in specific direction by all levels of management hierarchy.
 3. MBO is one of the techniques to stimulate the meaningful action from the employee which leads for better performance.
 4. Employees of all levels are contributing with their best, the overall production of the organization increases.
 5. MBO reduces the conflicts between the management and employees.

University Questions

Q.1 What do you understand by MBO ? What are its advantages and limitations.

AU : May-10, Marks 2

Q.2 Discuss the benefits and difficulties of MBO.

AU : May-09, Dec.-04, Marks 8

Q.3 Define MBO.

AU : Dec.-09, May-07, 11, Marks 2

OR

What is MBO ?

AU : May-08, Marks 2

Q.4 Discuss about advantages and disadvantages of MBO.

AU : June-08, Marks 6

Q.5 With the help of block diagram, explain the process of management by objectives (MBO).

AU : May-12, Marks 16

Q.6 Write short note on management by objectives.

AU : Dec.-12, Marks 8

Q.7	<i>Explain in detail about M.B.O.</i>	AU : Dec.-14, Marks 16
Q.8	<i>What do you understand by Management By Objectives (MBO) ? What are its advantages and limitations ?</i>	AU : May-15, Marks 6
Q.9	<i>Define MBO and explain the various steps involved in it.</i>	AU : Dec.-17, Marks 7
Q.10	<i>Define MBO. Explain the process of MBO.</i>	AU : May-18, Marks 13

2.6 Advantages, Limitations and Barriers of Planning**AU : May-11****2.6.1 Advantages of Planning****AU : May-11**

- Following are the advantages or merits of planning :
 - i) Because of preselected objectives and the direction of co-ordinated efforts achievements of goals becomes easier.
 - ii) Planning enables the enterprise to make adequate adjustment to adopt future changes.
 - iii) Since all the activities are in co-ordinated and in systematic way, the efficiency of enterprise increases.
 - iv) Planning helps management to adopt modern methods and technology to improve quality and to attract customer.
 - v) Planning enables an enterprise (firm) to be competent.
 - vi) Planning provides adequate vision to the management. This eliminates any possibility of mistakes.
 - vii) Planning is the basis of effective control over activities.
 - viii) Planning increases the morals and confidence of managers so as to lead effectively.
 - ix) Planning involves considering other alternatives also and examining them. The suitable and best one is selected to achieve the organizational objectives.
 - x) Planning eliminates wastages and other time consuming processes which arise suddenly. Therefore prior planning is very beneficial for utilizing the available resources (man, machine and materials) to the best of advantage.
 - xi) Planning is a process by which manager can anticipate the future threats and discovers alternative course of action open to him.

2.6.2 Limitations of Planning**AU : May-11**

- Though planning is a basic and essential function for any organization, it has some limitations or demerits. Few limitations are listed below :
 - i) Planning is based on assumptions, it can not predict the future accurately.
 - ii) Planning is a costly function, small organizations can not afford it as it puts financial burden on them.

- iii) It is difficult to accommodate any change once the planning is complete.
- iv) Planning does not provide any immediate solutions if any unavoidable circumstances arises.
- v) Delay in action caused by planning may create confusion or misunderstanding.

2.6.3 Barriers in Planning

AU : May-11

- Several potential aspects resist the ability of organizations to develop effective plans. Some aspects are discussed :
- i) Changing environment is one of the important barriers which makes planning more difficult since long term planning in such condition is not possible. Also according to the changing environment the plans must be altered frequently.
- ii) Some manager's approach towards planning is negative. They think that planning is unnecessary and time consuming phenomenon.
- iii) Every day increasing work pressure on managers is another potential barrier in planning. Even when managers believe that planning is beneficial, daily burdens may deviate their attention from planning.
- iv) Poor preparation of line managers in terms of their planning knowledge and skills.
- v) Effective planning sometimes fails if any staff dominates the planning process.

University Question

Q.1 Mention the advantages and limitations of planning.

AU : May-11, Marks 8

2.7 Developing Business Strategy

AU : Dec.-12, 05, May-15

- Strategic planning involves process and methodology. It starts with deciding social responsibility and then proceeding towards business mission and goals with strategies to achieve them. This must be communicated to all concerns of the organization. The mission decides the scope and boundaries of the organization.
- After deciding the mission or aim the next task is to set the goals in specific and quantitative term. The goals are the reference for the top management in planning and business activities. The next step is to set objectives for the organization.
- The objective should be measurable and monitored. The examples of objective may be profitability, sales, quality, standard etc. The next step is to set periodical targets for various departments of the organization.
- The success in achieving the mission is dependent on the business strategy of the management. The resources must be deployed efficiently to achieve the objectives as well as to face the competition.

- The business strategy also depends on the environmental factors (technology, market, lifestyle, attitude, government policies).
- A sound business strategy may be developed to make organization stable against various forces and to make it strong. Therefore, formulating strategy is an unstructured and complex task also it deals with uncertainty. Fig. 2.7.1 shows the formulation of business strategy considering external factors.



Fig. 2.7.1 Factors for strategy formulation

- Development of strategy is a difficult task and it is an exercise of multidisciplinary fields. Formulation of business strategy reflects attitude and philosophy. Strategies are formulated within business policy frame.

2.7.1 Types of Strategies

AU : Dec.-12

- A correct strategy makes organization successful in achieving goals and beats competition. Usually a mixed strategy which acts on many fronts is the right strategy. If a strategy acts on a single front it is a pure strategy.
- The strategy can be pure or mixed, it can be classified into four major types
 - Overall Company Strategy
 - Growth Strategy
 - Product Strategy
 - Market Strategy

1. Overall Company Strategy

- Overall company strategy is designed for long term business perspective and deals with overall strength of the company. If the strategy is correct it is the most productive strategy. Examples of this strategy is - a two wheeler manufacturing company will have strategy of mass production and aggressive marketing.

2. Growth Strategy

- Growth means increase in turnover, expansion or diversion of business. Growth strategy means selecting product having fast growth, acquisition of business of

other firms and opening new markets. Growth strategy has direct, positive impact on the profitability.

3. Product Strategy

- Product strategy means choice of product which can result in family of product. For new markets product strategy must be innovated. Examples of product strategy are - a home appliances company may produce - T.V., refrigerator, mixer, cooker, oven, etc.

4. Market Strategy

- Market strategy deals with product distribution, services, pricing policy, advertising, packing etc. Examples are - Loan facility to promote sales, same products in different sizes, offering free after sales service.
- The choice of Strategy affects the working and success of organization. The corporate management formulates the strategies and implements them.

University Questions

- | | | |
|------------|--|------------------------------|
| Q.1 | <i>Discuss the factors for strategies, policies and planning premises.</i> | AU : Dec.-05, Marks 8 |
| Q.2 | <i>Write short note on types of strategies.</i> | AU : Dec.-12, Marks 8 |
| Q.3 | <i>Discuss some of the tools for developing organizational strategies.</i> | AU : May-15, Marks 10 |

2.8 Planning Premises

AU : May-07

- Planning premises** are basic planning assumptions regarding future and political environment. It includes assumptions derived from assessments of future trends and possibilities.
- Planning premises are pre-requisites of planning process and makes it more effective.
- Koontz and Wehrich** defined it as -
"Planning premises are anticipated environment in which plans are expected to operate".

Categories of planning premises

1. Tangible and intangible premises.
2. Internal and external premises.
3. Foreseeable and unforeseeable premises.
4. Controllable, uncontrollable and semicontrollable premises.

University Question**Q.1** Define the term "Planning premises".**AU : May-07, Marks 2****2.9 Forecasting****AU : Dec.-11, 09, 07, May-10, 07**

- Forecasting is a vital function that spread throughout every planning effort. Most managerial decisions at all levels of an organization are based directly or indirectly on some form of forecasting.
- Forecasting is the connecting link between an organization and its environment. For accurate forecasting a stable environment is necessary.
- **Forecasting** is the process of estimating the occurrence of future events or levels of activity and is concerned with timing, magnitude or effects of events.
- Forecasting plays an important role in the management of operations because it can provide rational guidelines for activities in a competitive and uncertain environment.

2.9.1 Need of Forecasting

- There are many good reasons for the need of forecasting. i.e.
 - i) The demand for an organization's product/services is variable and uncertain.
 - ii) The response time of organizations (time needed by organizations to respond to changes in the demand for their product/services) is finite.
 - iii) Co-ordination of parallel and associated activities resulting from changed conditions of an organization requires adequate lead time.
 - iv) Orderly changes in organization are possible only when advance estimates allow time phasing of activities.
 - v) The establishment of financial and budgetary control requires an estimate of the future activity levels.

2.9.2 Objectives of Forecasting

- The main objective of forecasting is to make use of the best available present information to guide future activities towards the achievement of system objectives, keeping in view the total costs incurred.
- For estimating uncertain demands for end products/services of an organization.
- To facilitate the budgetary planning and control of activities through estimating of future activity levels.

2.9.3 Types of Forecasting

- Considering wide dimension of forecasting, forecasting can be classified on the basis of various key issues. Few of them are listed below.
 - A] Based on purpose
 - B] Based on time horizon
 - C] Based on value
 - D] Based on areas.

Classification based on time and value are important and are discussed here.

A] Based on Purpose

- Based on purpose behind forecasting it can be classified as demand forecasting, environmental forecasting, technology forecasting.

1. Demand forecasting

- Demand forecasting is mainly concerned with estimating the future demands of the products or services. The demand forecasted is then translated into requirements of raw materials, labour, machinery and power requirements.
- These required things are then used for production, scheduling and control activities.

2. Environmental forecasting

- Environmental forecasting is concerned with social, political and economic states of the environment in which a system operates. Environmental concerns such as pollution control are anticipated.
- Economic forecasting may provide useful information on consumer prices, unemployment, import(exports), foreign exchange levels, corporate profits etc.

3. Technology forecasting

- Technology forecasting is concerned with new developments in existing technology as well as development of new technologies.
- Technology forecasting is very important in area of automation, computers and in nuclear industries.

B] Based on Time Horizon

- Based on the period of forecasting it can be classified as long-range forecasting, medium-range forecasting and short-range forecasting.

1. Long-Range forecasting

- Long-range forecasting is spanning from five to ten years and is needed for strategic decisions such as selection of product/services, location of plant, process and technologies to adopt etc.

2. Medium-Range forecasting

- Medium-range forecasting covers time period of two years and is needed for tactical decisions.
- Medium-range forecasting helps in deciding size of work force to be employed, types of inventories to be maintained, amount of subcontracting, required overtimes.

3. Short-Range forecasting

- Short-range forecasting covers period of less than a year. Such forecasting is needed for guiding current operations such as assignment of orders, dispatching and delivery schedules etc.

2.9.4 Comparison of Planning and Forecasting

	Planning	Forecasting
1.	Planning is more comprehensive, it involves many subprocesses and elements in order to arrive at decision.	Forecasting is the estimate of future events and provides parameters to the planning.
2.	Planning requires several decision making.	Forecasting does not involve decision making.
3.	For planning top management level is involved.	Forecasting is usually carried by middle or lower level management.
4.	Commitment of action is the basic motive of planning.	Forecasting does not require any commitment but helps planning for future actions.

2.9.5 Forecasting Techniques

- Forecasting methods are usually classified into three categories :

 1. Subjective forecasting methods
 2. Time series methods
 3. Causal forecasting methods.

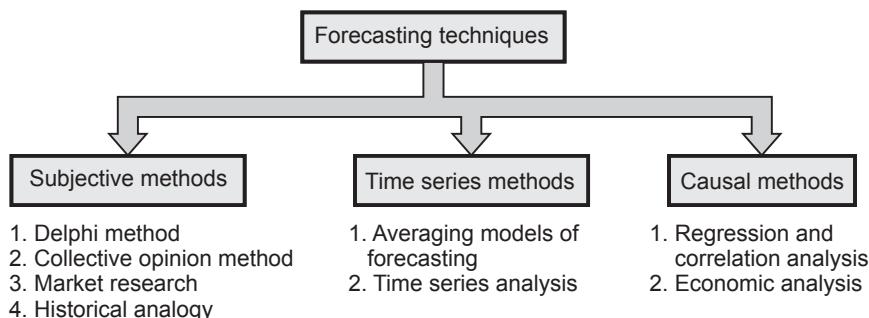


Fig. 2.9.1 Forecasting technique

- 1. Delphi method :** A group process intended to achieve a consensus forecast.
- 2. Collective opinion method :** Experience, knowledge and intuition of persons working at various levels is used to develop a realistic estimate of future.
- 3. Market research :** A systematic, formal and conscious procedure about consumer behaviour.
- 4. Historical analogy :** Comparative analysis of various stages in life cycle of similar products.
- 5. Averaging methods of forecasting :** Historical data to calculate an average of past demand. Different methods of calculating average are used.
- 6. Time series analysis :** From historical data, graph is plotted, an equation is formed then trend is projected.
- 7. Regression and correlation analysis :** Examination of degree of relationship between two variables.
- 8. Economic analysis :** It uses empirical data, economic theory, mathematics and statistics to measure changes in economic relationships.

University Questions

Q.1 *Describe different forecasting techniques.*

AU : Dec.-11, Marks 16

Q.2 *What are the elements of business forecasting ?*

AU : May-10, Marks 2

Q.3 *Explain briefly forecasting techniques.*

AU : Dec.-09, Marks 14

OR

Discuss various forecasting techniques normally adopted.

AU : Dec.-07, Marks 16

OR

Define forecasting. Explain various forecasting techniques.

AU : May-07, Marks 16

Q.4 *What are different types of forecasting ?*

AU : Dec.-09, Marks 2

2.10 Decision Making

AU : Dec.-17,16,13,11,06,05, May-13,12,11,08,07,05,14,15,16,17,19

- **Decision** is a choice whereby a decision maker comes to a conclusion about a decision. It represents a course of behaviour, action about what must or must not be done.
- **Decision making** is a basic function of management. In any organization decision making is necessary at every level and in every function of an organization.
- Managerial decisions are based on the flow of information. Decisions help in translating management plans, policies and objectives into concrete actions.
- Decision making is essential for all managerial functions – Planning, organizing, directing and controlling.

Defining Decision Making

- One of the critical management task is decision making. Decision making is the principal responsibility of management. One decision is followed by a number of decisions.
- **Decision making** is the process through which managers identify organizational problems and attempt to resolve them.
- **Decision making** is the process of selecting and implementing alternatives consistent with a goal. It is a series of activities that begins with defining the purpose or goal of the deicson and involves developing and evaluating alternatives, selecting and implementing the alternative.
- Also monitoring the results to ensure that the decision goals are achieved. This entire process, from setting the decision goal to making sure the goal has been achieved is called **decision making**.
- Decisions are taken for future actions hence decision making is a risky and challenging task for a manager. Managers may not always make the right decision, but they can use their knowledge of appropriate decision making processes. Manager's performance is judged on his decision making capability.

2.10.1 Steps in Decision Making Process

AU : Dec.-11, 18, May-15

- An effective decision making process generally includes the four steps shown in Fig. 2.10.1.

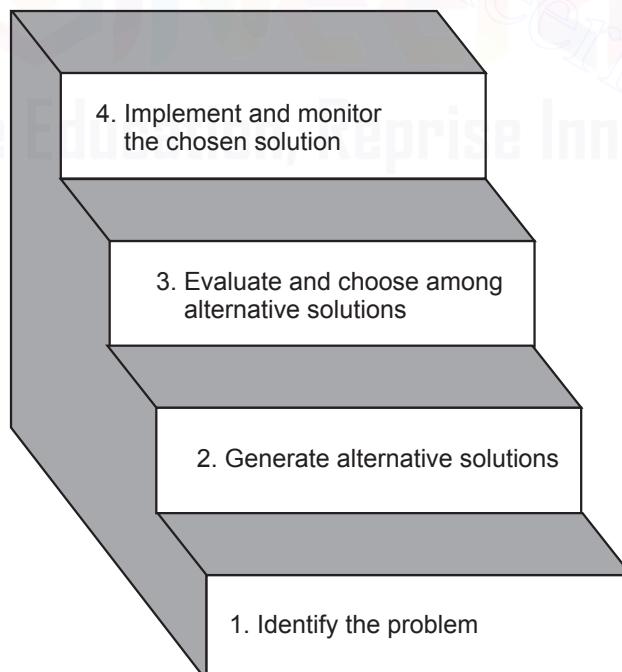


Fig. 2.10.1 Steps in decision making process

1. Identify the Problem

- The first step in the decision making process is identifying the problem. Problem can not be identified without a search. Organizational problems are the difference between expected results and actual situation. Identifying the problem involves three main activities.
 - i) **Scanning** : Monitoring the work condition for changing circumstances that can indicate the emergence of problem.
 - ii) **Categorize** : Attempts to categorize the situation as a problem or non-problem.
 - iii) **Diagnose** : Gathering additional information and diagnose the problem's nature and causes.

2. Generate Alternative Solution

- The second step in decision making process is developing alternatives. A problem can be solved by different alternative solutions. Manager has to develop alternative solutions. Before selecting any specific solution a manager has to think on all the alternative possible solutions.
- In this era of accelerating change and global competition the traditional solutions to organizational problems have become ineffective. Innovative alternatives need to be generated, for this, techniques of enhancing creativity is employed.
- The most familiar technique of enhancing creativity is brainstorming. **Brainstorming** is a technique that encourages group members to generate as many ideas as possible on a given topic without evaluating them.

3. Evaluating and Choosing an Alternative

- When all the possible and realistic alternatives have been identified, the focus of decision process shifts to evaluating those alternatives, to identifying the strengths and weaknesses of each option.
- Each alternative should be evaluated systematically according to general criterias like feasibility, quality, acceptability, costs, ethics etc.
 - 1) **Feasibility** refers to the extent to which an alternative can be accomplished with given related organizational constraints e.g. - time, technology, budget.
 - 2) **Quality** refers to how effectively an alternative solves the problem under consideration.
 - 3) **Acceptability** is the degree to which concerned people will be affected by implementing the alternative and people willing to support alternative.
 - 4) **Costs** are the monetary expenditures and other resources required to implement any alternative.
 - 5) **Ethics** refers to the compatibility of an alternative with the social and moral responsibility.

- Either quantitative or qualitative approaches can be used to evaluate and choose an alternative. **Quantitative approach** uses mathematical and statistical techniques to analyze the decision alternatives.
- Quantitative approaches are linear programming, break even analysis, decision tree analysis. **Qualitative approach** uses comparison of characteristics of alternatives and take relevant decision. A typical qualitative approach is T-chart.

4. Implement and Monitor the Chosen Solution

- A decision is just a choice until it is implemented and monitored. Implementation of decision reveals its effectiveness and significance in achieving the desired goals.
- Successful implementation usually depends on careful planning and sensitivity to those involved in the implementation or affected by it.
- Even effective implementation does not complete the action phase of the decision making process. Once it is implemented, the decision must be monitored to ensure that the alternative put into action is moving the organization closer to its goals. It is only monitoring phase that confirms that the organization goals have been achieved.
- The steps in decision making process and important activities associated with it are shown in Table 2.10.1.

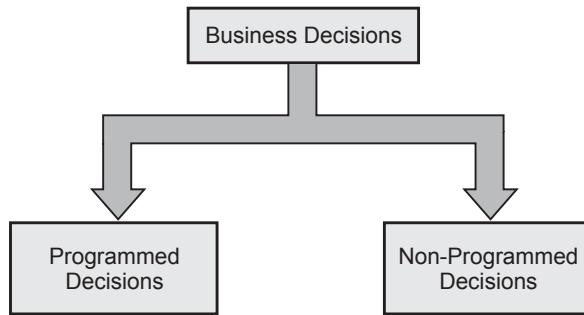
Sr.No.	Steps	Activities
1.	Identify the problem	<ul style="list-style-type: none"> Scan the environment for changing circumstances. Categorize the situation Diagnose the problem and its causes.
2.	Generate the alternative solution	<ul style="list-style-type: none"> Search for innovative ideas and alternatives
3.	Evaluate and choose an alternative	<ul style="list-style-type: none"> Evaluate feasibility, quality, acceptability, costs and ethics by quantitative or qualitative approach.
4.	Implement and monitor the chosen solution	<ul style="list-style-type: none"> Implement the solution Monitor its effectiveness Measure goal achievement

Table 2.10.1 Steps and activities in decision making

2.10.2 Types of Decisions

AU : Dec.-11, May-12, 08

- Most business decisions can be divided into two basic types, these are
 - Programmed decisions and
 - Non-programmed decisions, as shown in Fig. 2.10.2.

**Fig. 2.10.2 Decision types****2.10.2.1 Programmed Decision**

- Programmed decision is a standard response to a simple or routine problem. The nature of the problem is well defined and clearly understood by the decision maker as is the array of possible solutions.
- Examples of programmed decisions can be seen in college admission decision, reimbursement of manager's travel expenses and promotion decisions with many personals. In all these decisions specific criteria can be identified.
- The programmed decision process is characterized by high levels of certainty for both the problem formulation and the problem solution phases and rules and procedures typically spell out exactly how to respond.

2.10.2.2 Non-programmed Decision

- Non-programmed decision occur in response to problems that are either poorly defined or novel. For example, should a company president with limited funds expand the facilities to bring in more research contacts.
- No alternative is clearly correct and past decisions are of little help, instead you must weigh the alternatives and their consequences carefully to make a unique decision i.e. a non-programmed decision.
- In most organizations a significant relationship exists between the programmed and non-programmed decision and organizational hierarchy, for example top managers usually face no-nprogrammed decisions, as in the case of the managing director.
- On the other hand department heads rarely make such decisions. Further more, lower level managers typically encounter mostly programmed or routine, decision. Their options and resources as well as risks are usually far less than those of top managers. And as we might expect middle managers fall somewhere in between.

2.10.2.3 Comparison of Programmed and Non-programmed Decisions

Sr. No.	Programmed decisions	Non-programmed decision
1.	It deals with routine or repetitive problems.	It deals with unique or special problems.
2.	Used under certain conditions.	Used under uncertain conditions.
3.	Established procedures for decision making.	No established procedure for decision making.
4.	Used by middle or lower level management.	Usually executed by top-level management.
5.	It requires less skills.	It requires serious thought.

2.10.3 Influences on Decision Making

AU : Dec.-11

- At least three general factors influence decisions. First there are the characteristics of the decision maker. Such factors as his or her knowledge regarding the problem, ability to analyze and solve the problem and motivation to solve it, affects the decision.
- Second are the characteristics of the problem itself including the extent to which the problem is familiar to the managers, the ambiguity and complexity of the problem, and the extent to which the problem is stable or volatile.

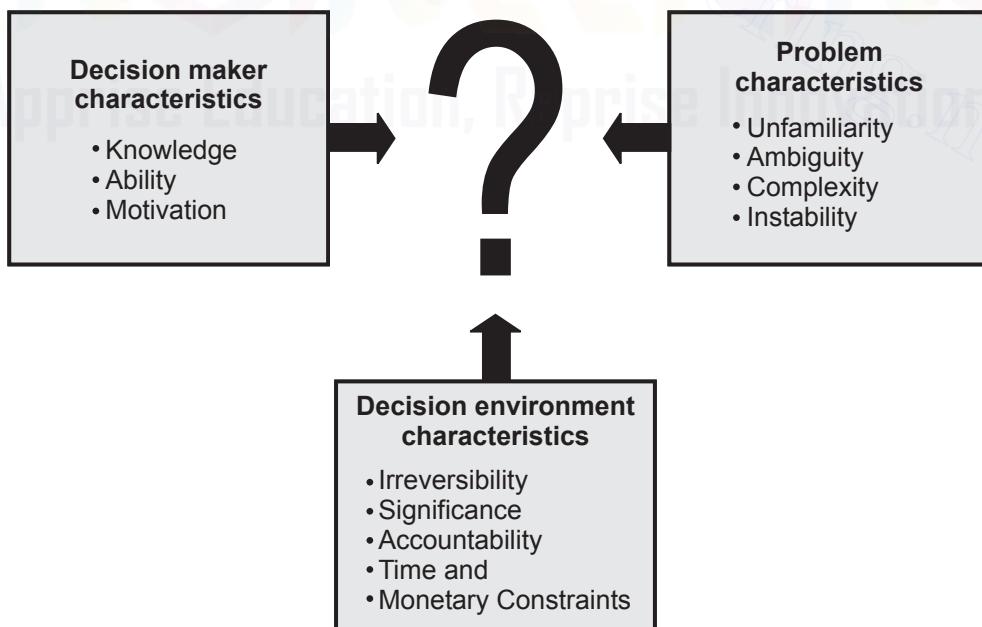


Fig. 2.10.3 Influences on the decision process

- Third, the decision is influenced by the environment in which the decision is irreversible, its significance or importance, the person accountable for the decision and its consequences, and any time or money constraints involved in the decision process. Taken together, these factors represent the major ingredients involved in the decision.

2.10.4 Impact of Groups on Decision Making

- Group decision making is the social interaction in the process, which complicates the dynamics. In some situations, group decision making can be an asset, but other times it can be a liability. The trick for you as a manager is to discover when and how to invite group participation in decision.
 - ⇒ In **establishing objectives**, groups are typically superior to individuals in that they bring greater cumulative knowledge to problems.
 - ⇒ In **identifying alternative**, individual efforts ensure that different and perhaps unique solutions are identified from various functional areas that later can be considered by the group.
 - ⇒ In **evaluating alternatives**, group judgement is often superior to individual judgement, because it involves a wider range of viewpoints.
 - ⇒ In **Choosing alternatives**, involving group members often leads to greater acceptance of the final outcome.
 - ⇒ In **Implementing the choice**, individual responsibility is generally superior to group responsibility. Whether decisions are made individually or collectively, individuals perform better in carrying out the decision than groups do ?
- You cannot conclude that either individual or group decision making is superior. Rather, the situations and the individuals involved should guide the choice of decision technique.
- Because participation helps involve employees and increases satisfaction and interaction, it has been an important part of quality improvement efforts. For example, team based efforts to improve products and processes have always worked best when they included significant participation in decision making.

2.10.4.1 Assets and Liabilities of Group Decision Making

Assets +

- Group can accumulate more knowledge and facts.
- Groups have a broader perspective and consider more alternatives.
- Individuals who participate in group decisions are more satisfied with the decision and are more likely to support it.

- Group decision processes serve an important communication function as well as a useful political function.

Liabilities –

- Groups often work more slowly than individuals.
- Group decision involve considerable compromise that may lead to less than optimal decisions.
- Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group processes.
- Overreliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.

2.10.5 | Modern Approach to Problem Solution

AU : May-05, 07

1. Brainstorming

- **Brainstorming** is a process of generating many creative solutions without evaluating their merit. It is a frequently used mechanism to provide the maximum number of ideas in a short period of time.
- A group comes together, is given a specific problem. In such sessions - at least at the early stages - criticism is minimized so as not to inhibit expression.
- Once all the ideas are on the table, the group considers the positive and negative aspects of each proposal. Through a process of continual refinement, the best possible solution under the circumstances should emerge.

2. Nominal Group Technique (NGT)

- The nominal group technique typically referred to as NGT, consists of four phases in group decision making. First individual members meet as a group, but they begin by sitting silently and independently generating their ideas on a problem in writing.
- This silent period is followed by a round-robin procedure in which each group member presents an idea to the group. No discussion of the idea is allowed at this time.
- The ideas are summarized and recorded. After all individuals have presented their ideas each idea is discussed to clarify and evaluate it. Finally, group members conclude the meeting by silently and independently ranking the various ideas or solutions to the problem.
- The final decision is determined by the pooled outcome of the member's votes on the issue.

- The NGT allows the group to meet formally, but it does not allow member's much discussion, hence the term **nominal** group technique. A chief advantage of this procedure is that everyone independently considers the problem without influence from other group members.

3. Delphi Technique

- In contrast to NGT, the delphi technique never allows decision participants to meet face to face. Instead a problem is identified and members are asked through a series of carefully designed questionnaires to provide potential solutions.
- These questionnaires are completed independently. Results of the first questionnaires are then circulated to all group members. After viewing the feedback, members are again asked their opinions.
- This process may continue through several iterations until group member's opinions begin to show consensus.
- The decision making process includes a variety of problems. Individuals and groups have various biases and personal goals that may lead to suboptimal decisions. Moreover, groups often censor themselves. Even so, techniques such as those discussed here aimed to minimize many of these problems by insulating individual participants from the undue influence of others.
- This allows individuals greater freedom of expression, and the group receives far less filtered or slanted information with which to make its decision. Thus, although not perfect, these techniques can give managers mechanisms to improve both the quality and the timeliness of decisions made in organizations.

4. Globalization

- Globalization is the tendency to integrate activities on a co-ordinated, worldwide basis. Firms are pushed in the directions of globalization, when benefits gained from worldwide volume, efficiencies, or economies of scale are significant.
- These benefits could include economies of scale for production, greater leverage of high cost distribution networks and greater leverage of expensive research and development activities. In a variety of industries, the minimally efficient production scale is beyond that could be supported in a single market.

2.10.6 Factors Affecting the Rational Decision Making

- Following factors affect the rational decision making of managers :

i) Inadequate Information

- Decision makers may have inadequate information about the problem, possible alternatives and their strengths and limitations.

ii) Time and Cost

- Time and cost are the limiting constraints throughout the decision making process.

iii) Perception of Decision maker

- Decision maker's perception in identifying the problem, selecting alternative may ignore the actual critical problem.

iv) Experience of Decision maker

- If decisions are to be taken with less information then extensive experience with situation becomes the key input. The experience level of the decision maker becomes the key factor.

v) Decision maker's Personality

- The perfectionist decision maker may postpone taking decision, preferring to seek the ideal alternative.
- The impulsive decision maker might hurry through the decision process thinking that just to finish it at the earliest.
- Such personalities give negative effect of decision maker.

vi) Values of Decision maker

- A decision maker must not reflect his own personal values rather than company's need or the personal values must not influence both the goals and the results of decision process.

vii) Capacity of Decision maker

- Even after gathering perfect information, it is the intelligence and calculating capacity of manager which limits the success of any plan or decision.

Example 2.10.1 A farm owner is seriously considering of drilling a farm well. In the past, only 7 % of wells drilled were successful at 200 feet depth in that area. Moreover, on finding no water at 200 ft, some persons drilled it further up to 250 ft, but only 20 % struck water at 250 ft. The prevailing cost of drilling is ₹ 50 per foot. The farm owner has estimated that in case he does not get his own well, he will have to pay ₹ 15000 over the next 10 years to buy water from neighbours. The following decisions can be optimal.

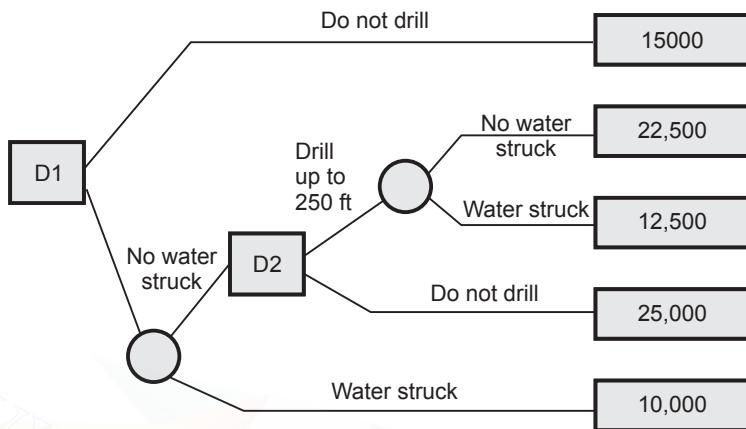
i) Do not drill any well

ii) Drill up to 200 ft.

iii) If no water is found at 200 ft. drill further upto 250 ft.

Draw an appropriate decision tree and determine the farm owner's strategy under EMV approach.

AU : Dec.-13, Marks 16

Solution : Decision tree diagram**Fig. 2.10.4**

There are two decision points in the tree indicated by 1 and 2. In order to decide between the two basis alternatives, we have to fold back (backward induction) the tree from the decision point-2, using EMV as criteria.

Evaluation of decision points

Sr. No.	Decision point	State of nature	Probability	Cash out flows	Expected cash out flow				
Decision at point D2									
1.	Drill upto 250 ft	Water struck no water struck	0.2 0.8	₹ 1,25,000 27,500	₹ 2,500 22,000				
EMV (Out flows) = 24,500									
2.	Do not drill upto 250 ft	EMV (Out flow) = ₹ 25,000							
Decision at D2 is drill upto 250 feet.									
Decision at point D2									
1.	Drill upto 200 ft.	Water struck	0.7	₹ 10,000	₹ 7000				
		Not water struck	0.3	₹ 24,500	₹ 7,350				
EMV (Out flow) = ₹ 14,350									
2.	Do not drill upto 200 ft.,	EMV (Out flow) = ₹ = 15,000							
The decision at D1 is : Drill upto 200 ft									

Thus the optimal strategy for the farm owner is to drill the well upto 200 ft. and if no water is struck, then further drill upto 250 ft.

University Questions

- Q.1** What is meant by group decision making ? What are its advantages and disadvantages ? **AU : Dec.-11, Marks 16**
- Q.2** Mention any two features of decision making. **AU : May-11, Marks 2**
- Q.3** Discuss the types and steps involved in decision making process. **AU : Dec.-11, May-11, Marks 8**
- Q.4** What are different types of decision and decision making process ? **AU : Dec.-11, Marks 8**
- Q.5** Define decision making. **AU : May-11, Marks 2**
- Q.6** Discuss the various steps in decision making process with example. Also explain in detail any two decision making process. **AU : May-08, Marks 16**
- Q.7** State and explain the common steps involved in decision making process. **AU : May-11, Marks 16**
- Q.8** List the forecasting technique used for decision making. **AU : May-07, Marks 2**
- Q.9** What is decision making ? **AU : Dec.-06, Marks 2**
- Q.10** Define decision making and explain the process of decision making that affects the efficiency of business decision. **AU : Dec.-05, Marks 16**
- Q.11** Write short notes on any two important modern approaches to decision making under uncertainty. **AU : May-05, Marks 6**
- Q.12** Describe the various types of decision. **AU : May-12, Marks 8**
- Q.13** Define decision making process. Explain the process followed while taking a decision in normal situation. **AU : May-13, Marks 16**
- Q.14** Explain the decision making process. Also discuss how decision making under different conditions are made. **AU : May-14, Marks 16**
- Q.15** Explain the steps involved in decision making process. **AU : May-15, Marks 6**
- Q.16** With suitable example illustrate the steps involved in the process of decision making. **AU : May-16, Marks 16, Dec.-18, Marks 13**
- Q.17** Explain briefly about the decision making steps and process. **AU : Dec.-16, Marks 16**
- Q.18** Discuss the eight steps of decision making process. **AU : May-17, Marks 13**
- Q.19** Is decision making a rational process ? Discuss. **AU : Dec.-17, Marks 13**

Q.20 Elucidate the types of decisions and explain the process of decision making.

AU : May-19, Marks 13

2.11 Case Study

AU : May-19

Example 2.11.1 Davinder is a class twelfth commerce student in a reputed school in Punjab.

Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science.

In context of the above case :

1. Outline the concept of principles of management.
2. Why does Satinder find the principles of management different from those of pure science ?
3. Why do the principles of management form the core of management in practice ? Explain by giving any two points highlighting the importance of principles of management.

AU : May-19, Marks 15

Solution : 1. The principles of management serve as a broad and general guideline for the managerial decision making and action.

2. Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science.

This is due to the fact that they deal with the human behaviour and thus, need to be applied creatively in the light of given situation.

3. The importance of principles of management is described below :

- **Providing managers with useful insights into reality :** The principles of management provide the managers with useful insights into real world situations and help them to enrich their knowledge, ability and understanding of the diverse managerial situations and circumstances. It also enables the managers to learn from past mistakes and conserve time by solving recurring problems quickly.
- **Optimum utilisation of resources and effective administration :** The knowledge of management principles enables the managers to foresee the cause and effect relationships of their decisions and actions. As a result, it leads to optimum utilisation of scarce resources by avoiding wastage associated with a trial-and-error approach. Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. This facilitates effective administration within the organisation.

Two Marks Questions with Answers**Q.1 Define planning.****AU : May-19**

Ans. : Planning is the management function that involves setting of goals and deciding the best method to achieve them.

Q.2 List the aspects to specify nature of planning.

Ans. : 1. Contributing to mission and goal. 2. Foundation of management.
3. Range of planning.

Q.3 List different types of plans.**AU : May-12, Dec.-12**

Ans. : 1. Strategic plans 2. Tactical plans 3. Operational plans

Q.4 What are two important planning tools ?

Ans. : 1. Budgets 2. MBO.

Q.5 Give steps in planning process.**AU : Dec.-13, 18****OR List the steps in the decision making process.****AU : Dec.-13, May-16**

Ans. : 1. Mission 2. Objectives 3. Developing plans 4. Goals attainment.

Q.6 What is mean by decision making ?**AU : Dec.-18**

Ans. : Decision is a choice whereby a decision maker comes to a conclusion about decision.

Q.7 How the alternatives are evaluated ?

Ans. : 1. Quantitative and Qualitative factors. 2. Marginal analysis
3. Cost effective analysis

Q.8 List the approaches for selecting alternatives.

Ans. : 1. Experience 2. Experimentation 3. Research analysis

Q.9 State types of decisions.

Ans. : 1. Programmed decision 2. Non-programmed decision.

Q.10 How would you evaluate the importance of a decision ?**AU : Dec.-04**

Ans. : To identify and evaluate the importance of a decision, its strength and weaknesses are studied systematically. The criteria for evaluation are like - feasibility, quality, acceptability, costs, ethics etc.

Q.11 What is meant by Brain storming ?**AU : Dec.-04, May-13**

Ans. : Brain-storming is a technique that encourages group members to generate as many ideas as possible on a given topic without evaluating them.

Q.12 Mention the three approaches generally adopted by managers in selecting an alternative.**AU : May-05**

Ans. : Approaches in selecting an alternative :

1. Feasibility
2. Quality
3. Acceptability
4. Costs
5. Ethics

Q.13 Describe the different objectives of planning. AU : Dec.-05, May-13

OR What are the objectives of planning ? AU : Dec.-13, May-16

OR What is the main purpose of planning ? AU : May-15

Ans. : Objectives of planning :

1. To anticipate future conditions and problems in advance.
2. To choose economical alternatives.
3. For making efficient and effective management.
4. To avoid duplication, overlapping and cross purpose working.
5. To check and control the overall performance.
6. To co-ordinate distinct activities to a common goal.

Q.14 Define MBO. AU : May-12, Dec.-16

Ans. : MBO is a system in which specific performance goals for individuals are jointly determined by the individual and his immediate superior.

Q.15 Define strategy. AU : Dec.-12

OR What is strategic planning ? Give an example. AU : May-14

Ans. : Strategies are large scale action plan for interacting with business environment in order to achieve long term goals.

For example : Guarantee and warranty of a product.

Q.16 Name any four quantitative forecasting techniques. AU : May-13

Ans. : Quantitative forecasting techniques :

1. Market research
2. Averaging method
3. Time-series analysis
4. Regression and correlation analysis.

Q.17 What are programmed decisions ? AU : Dec.-13

Ans. : Programmed decision is a standard response to the simple or routine problems.

Q.18 What do you mean by "Policy" ? Give an example. AU : May-14

OR Write short notes on policy making. AU : Dec.-14,16

OR What is meant by policies. AU : Dec.-16

Ans. : Policies are general statements which guides manager's thinking in decision making function.

Example : Policy of customer service.

Q.19 Distinguish between strategic planning and tactical planning. AU : May-15

Ans. :

Sr. No.	Features	Strategic Plans	Tactical Plans
1.	Time Horizon	Typically 3-5 years.	Often focused on 1-2 years in the future.

2.	Scope	Broadest : originating with a focus on the entire organization.	Rarely broader than a strategic business unit.
3.	Complexity	The most complex and general, because of the different industries and business potentially covered.	Somewhat complex but more specific, because of the more limited domain of application.
4.	Impact	Have the potential to dramatically impact, both positively and negatively, the fortunes and survival of the organization.	Can affect specific business but generally not the fortunes or survivability of the entire organization.

Q.20 Define corporate planning.

AU : Dec.-14

Ans. : Corporate planning is aimed towards business goals and objectives. The nature of business can be manufacturing or service, industry or trade, national or international business.

Q.21 List the planning tools available in business management.

AU : May-17

Ans. : Planning tools :

- 1. Budget
- 2. Benchmarking
- 3. Management By Objectives (MBO)
- 4. SWOT Analysis
- 5. Porter's Five Forces
- 6. Boston Matrix (product and service portfolio)

Q.22 What do you understand by Strategic Management ?

AU : Dec.-17, May-19

Ans. : Strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. The strategic management process involves analyzing cross-functional business decisions prior to implementing them.

Q.23 Distinguish between Policy and Rules.

AU : Dec.-17

Ans. : Differences between Rules and Policies

Sr. No.	Rules	Policies
1.	There are specific statements.	They are general statements.
2.	They are guide to behaviour that may or may not be followed in specific situations.	They are guide to decision - making.
3.	They are rigid.	They are flexible.
4.	No discretion can be used while following rules. They have to be followed by one and all.	Managers can use discretion in framing and implementing policies.

Q.24 What is intuitive decision making ?

AU : May-18

Ans. : Intuitive decision-making

- Intuitive decision-making can be described as the process by which information acquired through associated learning and stored in long-term memory is accessed unconsciously to form the basis of a judgment or decision.
- This information can be transferred through affect induced by exposure to available options, or through unconscious cognition. Intuition is based on the implicit knowledge available to the decision-maker. For example, owning a dog as a child imbues someone with implicit knowledge about canine behavior, which may then be channeled into a decision-making process as the emotion of fear or anxiety before taking a certain kind of action around an angry dog.
- Intuition is the mechanism by which this implicit knowledge is brought to the forefront of the decision-making process. Some definitions of intuition in the context of decision-making point to the importance of recognizing cues and patterns in one's environment and then using them to improve one's problem solving.

Q.25 Define planning premises.

AU : May-18

Ans. : Planning premises :

- **Planning premises** are basic planning assumptions regarding future and political environment. It includes assumptions derived from assessments of future trends and possibilities.



Notes

