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## Unit - 11

### Ch 4: Planning

#### → NATURE OF PLANNING

- \* Planning is the beginning of process of management. without planning other functions become mere activity producing nothing but chaos. This is called principle of primacy of planning.
- \* Planning is an intellectual process which requires a manager to think before acting.
- \* Planning is a continuous process, manager must monitor the conditions to determine if any change is required in his plans. It is called principle of navigational change.
- \* Plan must be flexible. Plan is never Plan & should have ability to change direction to adapt to changing situations without undue cost.
- \* Planning is an all pervasive function, planning is imp to all managers regardless of their level in the organisation.

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## → IMPORTANCE OF PLANNING

### ① Minimises Risk and uncertainty

By providing a more rational, fact based procedure for making decisions, planning allows managers and organisations to minimise risk & uncertainty

### ② Leads to success

Companies that plan outperforms both non planners and their past results. Planning attempts to shape the environment on the belief that business is not just the creation of environment but its creator as well.

### ③ focuses attention on organisation's goals

Planning helps manager to focus on organisation's goals and activities. This makes it easier to apply and coordinate the resources of the organisation more economically

### ④ facilitates control

The function of control is to ensure that the activities conform to the plans. The manager sets goals & develops plans to accomplish these goals

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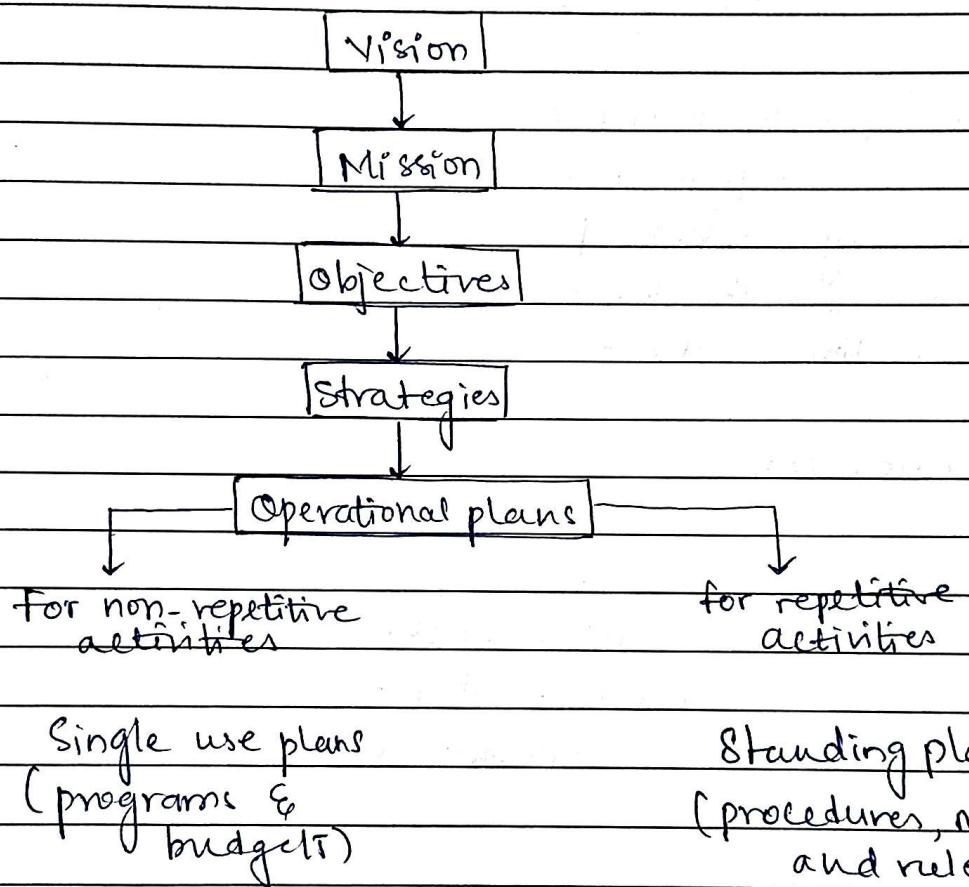
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## ⑤ Trains executives

Planning is also an excellent means for training executives. They become involved in the activities of the organisation and plan increase their interest in work.

## → TYPES OF PLANNING



### ① Vision

- \* The dream that an entrepreneur creates about the direction that his business should pursue in future
- \* Vision should be brief, focused, clear and inspirational to organisation's employees
- \* Should be linked to customers needs and convey a general strategy for achieving the mission.

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## (2) Mission

- \* organisation's specialisation in some area - service, product or client which decides the organisation's scope of business
  - \* mentions cultural values
  - \* guides development of strategies
- (3) Objectives : goals or aims set by management
- Characteristics of objectives

- (1) multiple in number
- (2) either tangible or intangible
- (3) importance have priority
- (4) arranged in hierarchy
- (5) sometimes clash with each other

## Requirements

- (1) must be clear and acceptable
- (2) must support one another
- (3) must be precise and measurable
- (4) should always remain valid

## Advantages

- \* provide a basis for planning and for developing other plans such as policies, budgets and procedures
- \* act as motivators for individuals and department
- \* facilitate better management
- \* lessens clashes and misunderstanding
- \* eliminate haphazard actions

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#### (4) Strategies

- \* suggest a response to a competitive environment
- \* the corporate strategy considers 2 activities

#### (a) Environmental appraisal

defines the environment of a company as the pattern of all external influences that affect its life and development

#### (ii) Political and legal factors

- Stability of govt & the political philosophy
- Taxation and industrial licensing laws
- monetary & fiscal policies
- Restrictions on capital movement

#### (iii) Economic factors

- Trend in prices, exchange rates etc
- supply of labour, raw material
- level of economic development and distribution of personal income

#### (iv) Competitive factors

- identification of principal competitors
- analysing the performance
- anti monopoly laws & rules of competition
- protection of patents, trade marks etc

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## (iv) Social and cultural factors

- literacy levels of population
- religious and social characteristics
- rate of urbanization
- rate of social change

## (b) Corporate appraisal

- \* involves an analysis of the company's strength and weakness
- \* company must plan to exploit these strengths to the maximum.

## Operational plans

These plans act as means of implementing the organisation's strategy

2 types

Single use  
plans

- programmes
- budgets

Standing plans

- policies
- methods
- rules
- procedures

## → STEPS IN PLANNING

(1) Establish set of goals to be achieved

- determine objectives

- type of goals depend on no. of factors such as basic mission of organisation, values etc

(2) Establishing planning premises

- assumptions about the future on basis of plan which will be formulated

(3) Deciding the planning period

- businesses vary considerably in their planning periods

factors

a) lead time in development & commercialisation of new product

b) time req. to recover capital investments or pay back period

c) length of commitment is already made

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- (4) finding alternative courses of action
- (5) Evaluating and selecting a course of action
  - with help of quantitative techniques & operation research
- (6) Developing derivative plans
  - plans required to support basic plan
- (7) Establishing and Deploying action plans
  - action plan identifies particular activities necessary for the purpose and specifies how it has to be done
- (8) Measuring and controlling the progress
  - check progress of plans so that they can take remedial action to complete it.

#### → LIMITATIONS OF PLANNING

- (1) Planning is an expensive and time consuming process
- (2) Planning restricts the organisation to most rational and risk free opportunities
- (3) Planning is said to be limited in case of organisations with rapidly changing situations
- (4) Establishment of advance plans tends to make administration inflexible
- (5) future cannot be known with accuracy, premises must be subject to a margin of error

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- ⑥ Planning may sometimes face people's resistance to it

## → STRATEGIC PLANNING

Strategic planning

Tactical Planning

1. deals with long term concept of the organisation which is based on its vision, mission and objectives
2. It emphasis on doing the right things i.e. effectiveness
3. done by top-level corporate managers
4. more prone to unanticipated factors that may erupt to change the situation
5. Its success depends on the judgement, experience, intuition and well guided discussions of top management team
- deals with the short term allocation of resources for implementing the strategy
- It emphasis on doing things rightly i.e. efficiency.
- done by lower level managers
- has greater element of certainty
- Its success depends on staff work and mathematical models

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## Steps in strategic planning

- ① Evaluate and improve last year's strategic plan process
- ② Reaffirm the organisation's vision, mission, values and objectives
- ③ Review organisation's operational performance for the prior year
- ④ Evaluate the external environment to prepare for each environmental element
- ⑤ Conduct SWOT analysis based upon the issues identified in steps 1, 3, 4 and forecast the results of continuing the existing strategy.
- ⑥ Identify, evaluate and select approach alternative approaches if a change in the existing strategy appears necessary
- ⑦ Deploy the modified plan
- ⑧ Provide for updates and tracking to be conducted throughout the year

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## ch 5: Decision Making

### MEANING

A decision is a choice between two or more alternatives. This implies three things:

1. When managers make decisions they are choosing.
2. Managers have alternatives available when they are making a decision
3. Managers have a purpose in mind when they make a decision

### TYPES OF DECISIONS

#### ① Programmed and Non-programmed decisions

Programmed decisions are those that are made in accordance with some policy, rule or procedure so that they do not have to be handled each time they occur.

Eg: pricing ordinary customers' orders  
determining salary payments etc

Non programmed decisions are novel and non repetitive. problem that has not arisen before needs to be handled by non programmed decision.

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## (2) Major and Minor decisions

We can measure the relative significance of a decision in 4 ways:

- (i) Degree of futurity of Decision
- (ii) Impact of the decision on other functional areas
- (iii) Qualitative factors that enter the decision
- (iv) Recurrence of Decisions

## (3) Routine and strategic decisions

Routine decisions are those which are supportive of rather than ~~expans~~ central to the company's operations. Their purpose is to achieve high efficiency for company

Strategic decisions require large funds are taken by managers at higher levels. They are taken for business benefits of the company

## (4) Individual and group decisions

Individual decisions are taken where the problem is of a routine nature where analysis is simple and problem already exists.

Important and strategic decisions may result into some change in the organisation are generally taken by a group

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## Advantages and Disadvantages of group decisions

### Advantages:

- ① Easier coordination
- ② Easier communication
- ③ Increased acceptance by those affected
- ④ More information processed

### Disadvantages:

- ① Time taking
- ② groups can be indecisive
- ③ groups can be dominated
- ④ groups can compromise
- ⑤ Simple and Complex Decisions

few variables → decision is simple

many variables → decision is complex

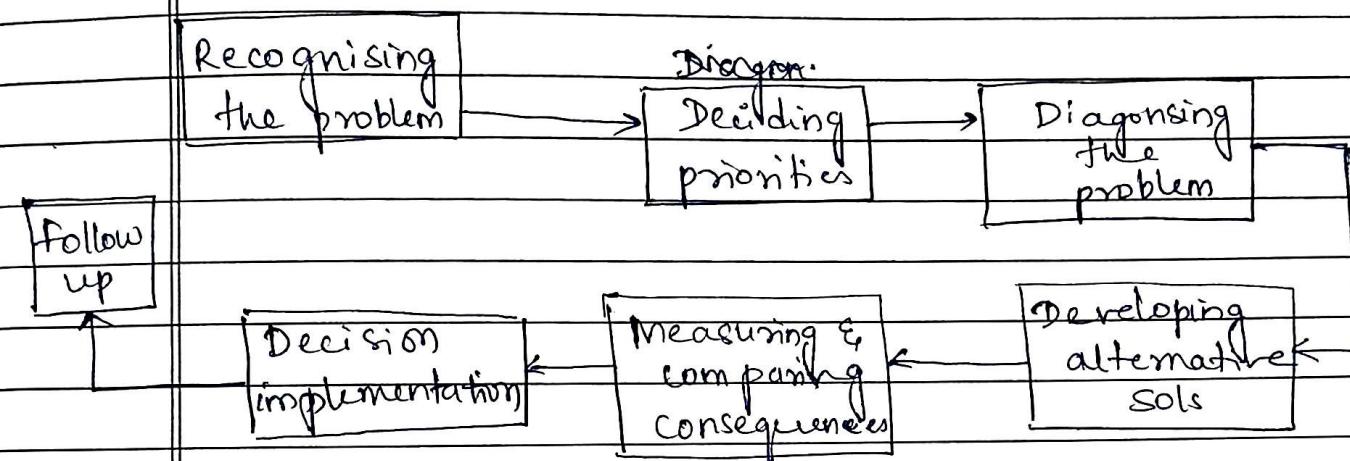
4 types

- ① Mechanistic/routine : Decision in which problem is simple and outcome has high degree of certainty
- ② Judgemental : Decision in which problem is simple but outcome has low degree of certainty

③ Analytical: Decision in which problem is complex but outcome has high degree of certainty

④ Adaptive: Decision in which problem is complex and outcome has low degree of certainty.

### → STEPS IN RATIONAL DECISION MAKING



#### ① Recognising the problem

Problem exists when

- there is deviation from past experiences
- there is deviation from plan
- other people bring problems to manager
- competitors outperform the manager's organisation

#### ② Deciding priorities

After recognising the problems it is important to decide the order of how they can be solved

Problem solvers must be found out and given them their duty.

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### ③ Diagnosing the problem

- Manager must follow system approach in diagnosing a problem
- He must make a thorough study of all the sub-parts of his organisation which are connected with sub part in which problem seems to be located.

### ④ Developing alternative solutions / courses of action

- find out alternative solutions
- what different interpretations of data may be possible
- recognise limiting factors

### ⑤ Measuring and comparing consequences of alternative solution

- comparison of the quality and acceptability of various solutions
- one must then use his judgement and intuition to solve the problem
- if enough info is not available about quality of solution then pilot testing must be done

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### (6) Converting the decision into effective action

- a decision is not complete until someone has been assigned responsibility to carry it out
- clear and unambiguous communication of decision must be done

### (7) follow up action

- action should be continuously followed up to insure whether decision is achieving its desired purpose or not

## DIFFICULTIES IN DECISION MAKING

### (1) Non-actionable information

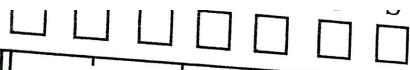
Actionable info is the info that can become basis for an action. such info has to be timely, complete & accurate. Hence non actionable info is major problem

### (2) Unsupporting environment

If there is all round goodwill & trust & if employees are properly motivated, the manager is encouraged to take decisions with confidence otherwise its difficult to make decisions

### (3) Non acceptance by subordinates

Opinion may be diff leading to different decisions by subordinates.



(4)

### Ineffective communication

- This makes implementation difficult.
- communication must be clear, precise & in simple language

(5)

### Incorrect timing

- If decision is correct & timing is inopportune it may not serve its purpose
- so correct timing for making a decision is necessary

## ch: COORDINATION

NEED FOR COORDINATION

## (1) Division for Labour

When there are different set of workers segregated or divided for tasks, there comes a need for coordination of their activities.

Coordination ensures proper synchronisation between activities of different units.

Avoids interruptions in operations due to reasons like delay in supply of materials, wrong allocation of duties etc

## (2) Interdependence of units.

\* coordination is required when one unit is dependent on others.

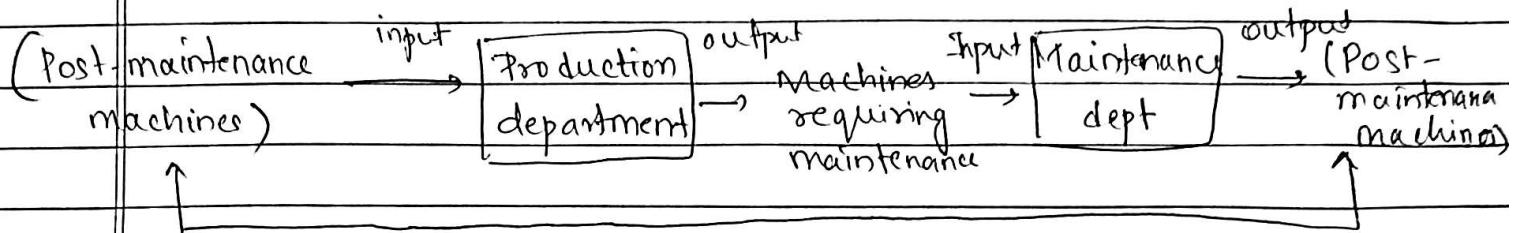
Units can be linked in 3 ways:

(i) Pooled Interdependence: units linked by pooled interdependence make contributions to the total organisation but are not directly related.

(ii) Sequential Interdependence: one organisational unit must act before the next. More coordination is required than pooled interdependence.

(ii) Reciprocal interdependence : The input of one unit becomes the output of other and vice versa.

Eg:



### ③ Individual Interests vs Organisational interests

Coordination helps to integrate objectives of separate organisation.

Without coordination, individuals and departments would begin to pursue their own specialised interests at expense of larger organisational goals.

Coordination reconciles differences in approach, effort or interest of various dept by avoiding inconsistencies.

### REQUISITES FOR EXCELLENT COORDINATION

#### ① Direct contact :

coordination is achieved easily by direct personal contacts as there is less chance of misunderstanding

#### ② Early start

Coordination can be achieved more readily in the

early stages of planning and policy making

### ③ Continuity

It is a ~~cont~~ continuous process which must go on all time. It is basis of organisation structure

### ④ Dynamism

It should be continually modified in the light of changes in internal & external environments

### ⑤ Clearcut objective

This produces uniformity of action.

### ⑥ Simplified organisation

facilitates effective coordination.

### ⑦ clear definition of authority and responsibility

This reduces conflict among diff officers and helps them carry out jobs with unity of purpose

### ⑧ Effective communication

Actions which are contrary to objectives of enterprise can be avoided and efforts of entire staff can be directed towards realisation of stated objective

## ⑨ Effective leadership and supervision

Success of coordination is largely influenced by nature of leadership and supervision

### TYPES OF COORDINATION

#### (i) Internal

Coordination among employees of same department, among workers and managers at diff levels, among branch offices is called internal coordination

#### (ii) External

Coordination with customers, suppliers, govt & outsiders with whom company has business connection is called external coordination

#### (iii) Vertical

Coordination within a department where dept head is called upon to coordinate activities of all placed below him

#### (iv) Horizontal

Sideway coordination which exists b/w departments such as production, sales, finance etc

## (iv) Procedural

meant to be specification of organisation itself.

The generalised description of behaviours & relationships of members of organisation is procedural coordination

## (v) Substantive

concerned with the content of organisation's activities