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HMM Quiz 2

Q1: Planning Components

1. Mission
   This is one of the first components of planning. The mission of an organization basically dictates its fundamental purposes. It describes what exactly it wants to achieve. The mission may be either written or implicit from the organization’s functioning.

2. Objectives

   Objectives represent the end results which an organization aims to reach. We can also refer to it as goals or targets. Not just planning but all factions of business management begin with the setting of objectives.

3. Policies

   Policies are basically statements of understanding or course of action. They guide the decision-making process for all activities of the organization. Consequently, they impose limits on the scope of decision.

4. Procedures

   Procedures are some of the most important components of planning. They describe the exact manner in which something has to be done. They basically guide actions for activities that managers and employees perform.

5. Budget

   Budgets are plans that express expected results in numerical terms. Whenever an organization expects to do something, it can make a budget to decide on its target. Most activities, targets, and decisions require budgeting.

6. Program

   A program is nothing but the outline of a broad objective. It contains a series of methods, procedures, and policies that the organization needs to implement. In other words, it includes many other components of planning.

7. Strategies

   A strategy in simple words refers to minute plans of action that aim to achieve specific requirements. Proper implementation of strategies leads to the achievement of the requisite goals.

Q2: Planning Process

1. Setting objectives

   The first, and most crucial, step in the planning process is to determine what is to be accomplished during the planning period. The planning process should define specific goals and show how the goals support the vision and mission.

2. Establishing planning premise

   Planning requires making some assumptions about the future. These include changes in external and internal conditions. These assumptions are called the plan premises. It is important that these premises be clearly stated at the start of the planning process. If the premises are not proven accurate, the plan will likely have to be changed.

3. Identifying and evaluating alternatives

   There may be more than one way to achieve a goal. For example, to increase sales by 12 percent, a company could hire more salespeople, lower prices, etc. Managers need to identify possible alternatives and evaluate how difficult it would be to implement each one and how likely each one would lead to success.

4. Identifying resources

   Next, managers must determine the resources (people with particular skills and experience, equipment, technology, or money) needed to implement the plan. They must examine the resources the organization currently has, what new resources will be needed, when the resources will be needed, and where they will come from.

5. Plan implementation

   Management will next create a road map that takes the organization from where it is to its goal. It will define tasks at different levels in the organizations, the sequence for completing the tasks, and the interdependence of the tasks identified.

6. Follow up action

   It is very important that managers can track the progress of the plan. The plan should determine which tasks are most critical, which tasks are most likely to encounter problems. Regular monitoring and adjustment as the plan is implemented should be built into the process to assure things stay on track.

Q3: Forecasting

Forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future. It shows that the managers know something of future happenings even before things actually happen. However, the future cannot be probed unless one knows how the events have occurred in the past and how they are occurring presently. The past and present analysis of events provides the base helpful for collecting information about their future occurrence.

Role of Forecasting:

It helps the managers in the following ways:

1. Basis of Planning:

   Forecasting is the key to planning. It generates the planning process. It provides the knowledge of planning premises within which the managers can analyse their strengths and weaknesses and can take appropriate actions in advance before actually they are put out of market.

2. Promotion of Organization:

   The objectives of an organisation are achieved through the performance of certain activities. What activities should be performed depends on the expected outcome of these activities, thus forecasting of future events is of direct relevance in achieving an objective.

3. Facilitating Co-ordination and Control:

   Forecasting indirectly provides the way for effective co-ordination and control. It requires information about various factors. Itcan provide relevant information for exercising control. The managers can know their weaknesses in the forecasting process and they can take suitable action to overcome these.

4. Success in Organisation:

   All business enterprises are characterised by risk. The risk depends on the future happenings and forecasting provides help to overcome the problem of uncertainties. Though forecasting cannot check the future happenings, it provides clues about those and indicates when the alternative actions should be taken.

Q4: Types of forecasting

There are various methods of forecasting.

1. Historical Analogy Method:

   Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing.

2. Field Survey Method:

Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method.

3. Opinion Poll:

   Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India.

4. Business Barometers:

   A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations.

5. Time Series Analysis:

   It involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future.

6. Regression Analysis:

   It is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously.

7. Input-Output Analysis:

   According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final output with a given input-output relationship.