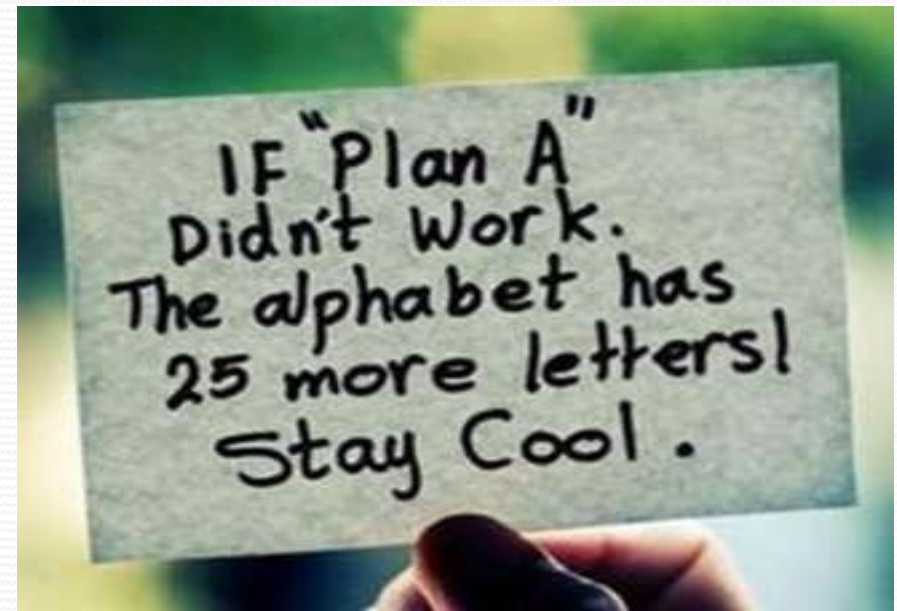


UNIT 2 - Principles of Management

Dr Rupal Shroff

❖ **Planning** (also called **forethought**) is the process of thinking about and organizing the activities required to achieve a desired goal.



What Is Planning?

- *“Determination of future course of actions in advance”*
- *It is the blue print of action and operation.*
- *Planning is intellectual process which is concerned with deciding in advance what, when, why, how, and who shall do the work.*

Definitions:

- *“Generally speaking, planning is deciding in advance what is to be done”*

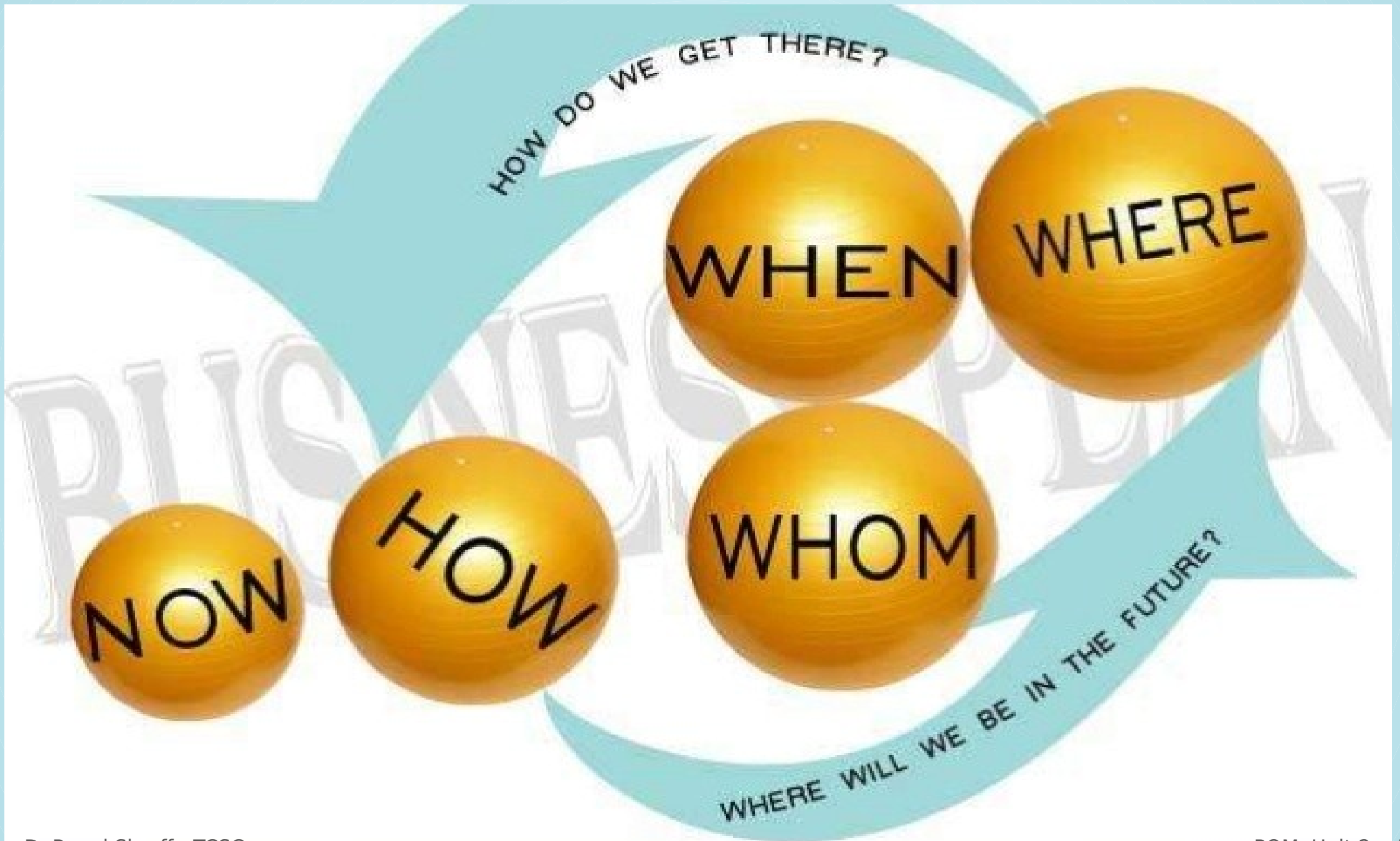
-W H Newman

- *“Planning is deciding in advance what to do, how to do, when to do and who is to do it. Planning bridges a gap between from where we are to where we want to go”*

-Harold, Koontz and O'Donnel

- *“Planning is that function of manner in which he decides in advance what he will do. It is a decision making process of a special kind, its essence is futurity.”*

-Hayness and Massie



<https://www.youtube.com/watch?v=50zBtcoScxw>

<https://www.youtube.com/watch?v=dTzSkz9yrWo>

Nature/ Features/ Characteristics of Planning

Goal Oriented

Primary Function

Intellectual -
Thinking Process

Pervasive

Continuous Process

Selective Process

Objective &
Rational

Integrated Process –
Involves
procedures, policies
and strategies

Focusses on
Objectives

NATURE AND CHARACTERISTICS OF PLANNING



- ❖ **Planning is goal oriented**

- Plans are made in order to seek certain predetermined goals.

- ❖ **Planning is a primary function**

- “Planning provides the basic foundation from which all future management functions arise”

- ❖ **Planning is a thinking process**

- Involves imagination, foresight and sound judgement.

Continued.....

❖ Planning is flexible

- Planning should not be rigid.

Planning is all-pervasive

- Planning is an on-going activity at all levels of an organizational hierarchy, right from CEO to first line managers.

Planning is a continuous process

- Planning involves continuous assessment and reassessment of the resources, directions, opportunities and problems of the organization while converting them to achieve goals.

Continued....

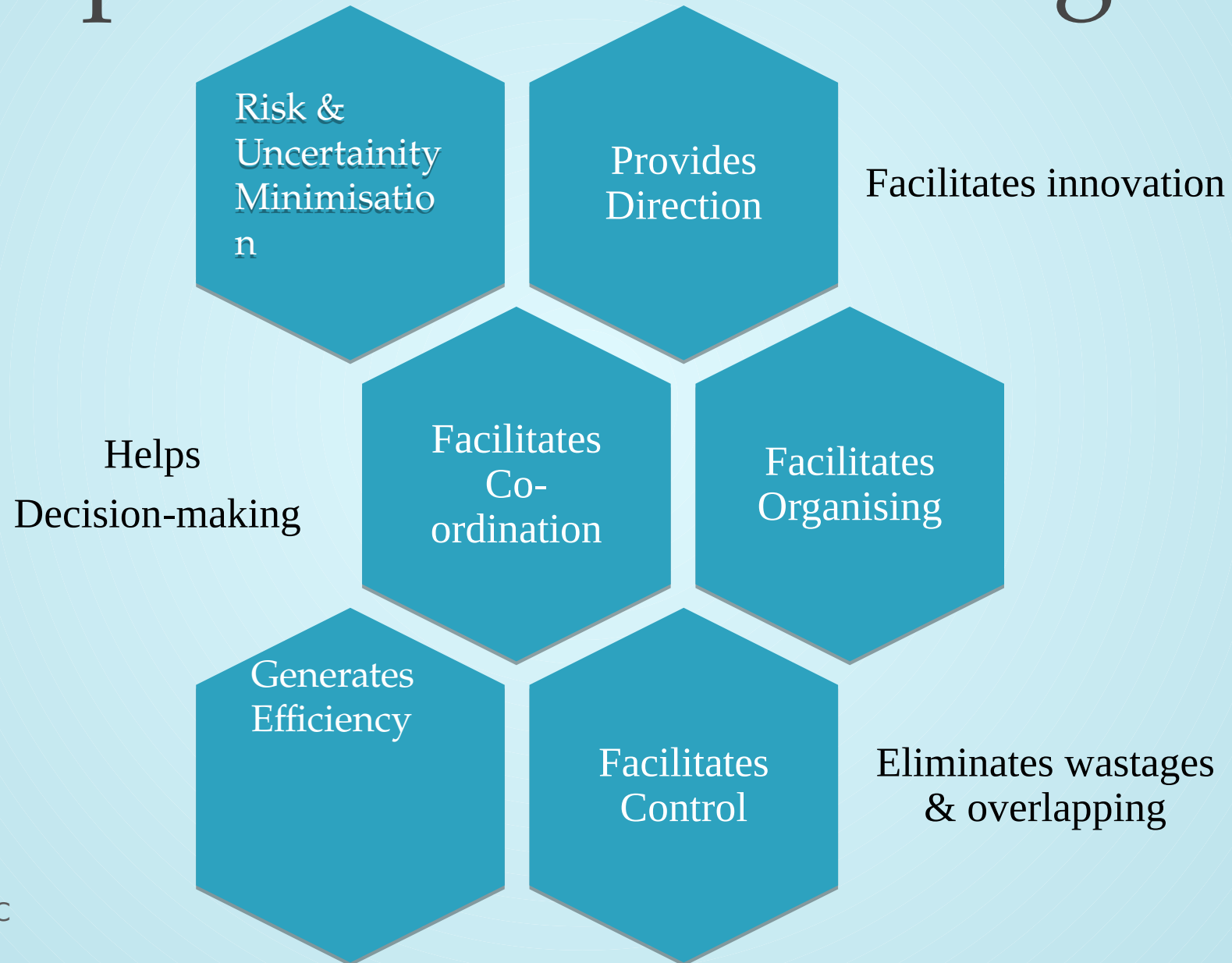
Planning involves choice

- Planning always involves choices among various alternatives
- If there is only one way of doing something, there is no need for planning, planning arises only when there are alternatives available.

Planning is rational

- Planners should be objective and unemotional in their approach to planning.
- Aim would be to achieve efficiency and effectiveness while optimally deploying resources.

Importance of Planning



IMPORTANCE AND PURPOSE OF PLANNING

❖ **Planning provides direction**

- Planning provides clear sense of direction and purpose of activities of an organization.

❖ **Planning minimizes risk and uncertainty**

- In fast changing organizations, planning based on hard facts and data help managers to reduce risk and uncertainties.

❖ **Planning ensures co-ordination**

- Planning helps to establish co-ordinated efforts from various divisions, departments and people

Continued.....

❖ **Planning leads to economy**

- Planning helps accomplish an optimal utilization of physical and human resources, leading towards cost reduction, higher efficiency and productivity which lead to better economy.

❖ **Planning facilitates decision-making**

- Planning helps in providing guidelines and thus facilitate decision-making.

❖ **Planning reduces overlapping and wastage of efforts**

- Planning avoids duplication of efforts, and overlapping of tasks and responsibilities, reducing wastage.

Continued.....

❖ **Planning encourages innovation and creativity**

- Planning helps to remain competitive.
- Innovation and creativity are like 'trump cards' in competitive world.

❖ **Planning facilitates control**

- Control is key to success of any organization, and in order to control there has to be a plan.

❖ **Planning improves morale**

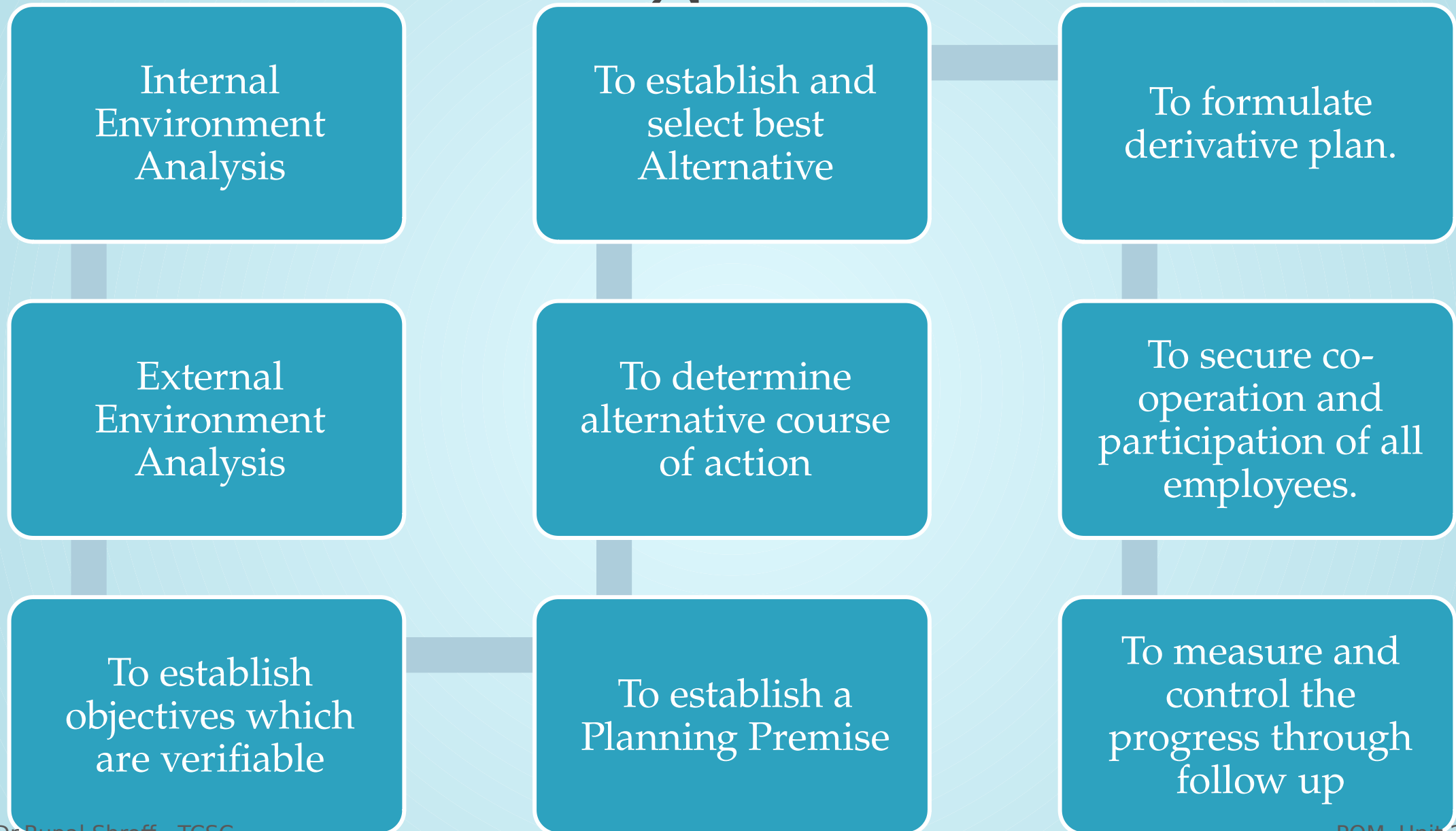
- If Employees participate in planning process it boosts their morale and develops a broad mentality and thinking of achieving organizational goals.

- Effective utilization of resources
 - Planning involves deciding in advance of the business activities
- Avoiding business failure
 - Planning includes the selection of the best objectives, economy in operation, co-ordination and avoiding the business failure
- Better utilization of resources
 - Planning decides what to produce and how to produce

Planning Process: How does a manager Plan?



Planning Process

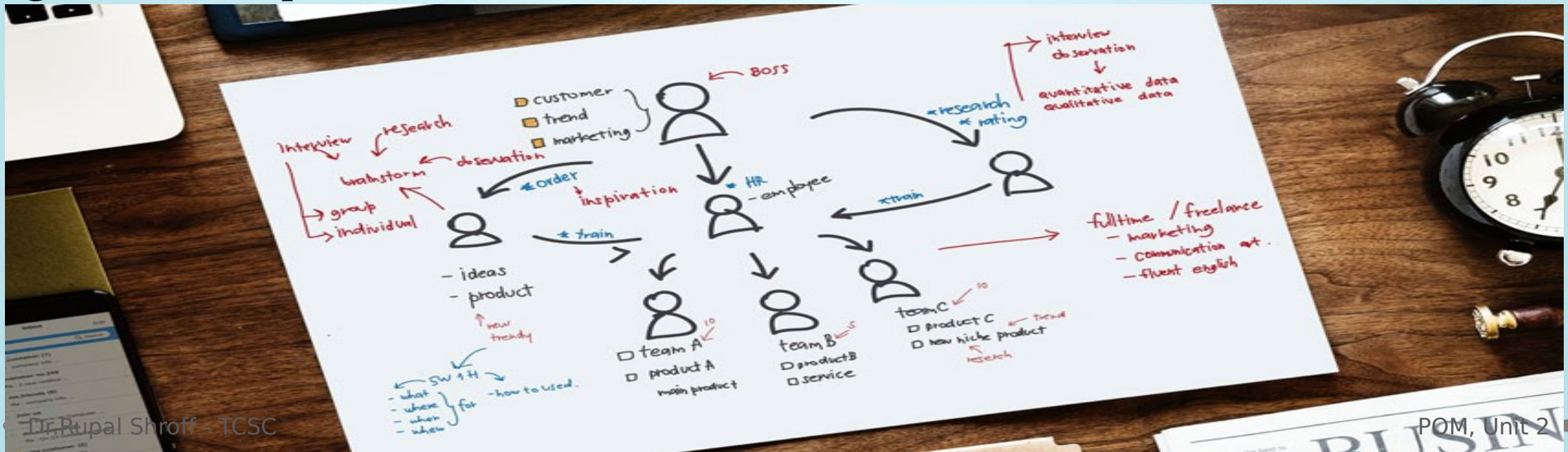


Steps in Planning

- 1. Internal Environmental Analysis** – consider Manpower, Machines, Management philosophy, Manpower, Management Money, Materials → Strength & Weakness
- 2. External Environmental Analysis** – consider Consumer preferences, political influences, socio-cultural considerations, Government policies, competition, supplier considerations
→ Opportunities & Threats
- 3. To establish objectives which are verifiable**
 - ❖ Identify goals of the organization
 - ❖ SMART – Specific, Measurable, Achievable, Realistic, Time Bound

4. To establish planning premises

- ❖ Planning premises are assumptions of future market conditions which become the basis for current planning process.
- ❖ Planning premises usually relate to cost and availability of raw materials, labour, power, product demands, population trends, technology growth, government policies etc.



5. To determine alternative course of action

- ❖ Search and list all possible alternatives in order to be compared and analytically evaluated
- ❖ Plan I/ Plan II/ Plan III

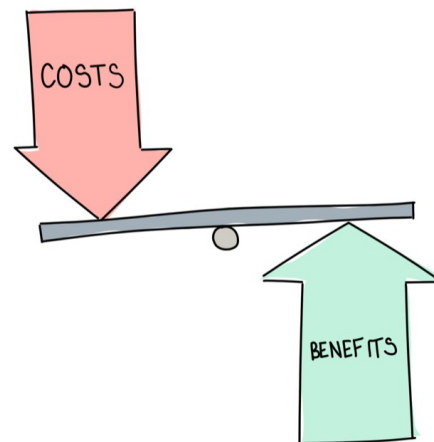


6. To evaluate the alternatives and select the best

- ❖ Select most suitable and best course of action.
- ❖ Alternatives have to be compared and evaluated with respect to their expected contribution to organizational goals. - Cost Benefit Analysis
- ❖ Evaluation and selection is often done with the help of quantitative techniques and operations research.

COST-BENEFIT ANALYSIS

A SYSTEMATIC APPROACH TO ESTIMATING THE STRENGTHS AND WEAKNESSES OF ALTERNATIVES THAT SATISFY TRANSACTIONS, ACTIVITIES OR FUNCTIONAL REQUIREMENTS.



Dr.Rupal Shroff - TCSC



7. To formulate derivative plans

- ❖ Management has to formulate derivative plans or secondary plans to support the basic plan.
- ❖ Derivative plans are sub plans or departmental plans.
- ❖ For Example, if the production plan of Maruti Motors is to produce a million of Wagon R in the next five years, the derivative plans would be plans for various departments like fabrication, forging, casting, purchase, assembly etc.

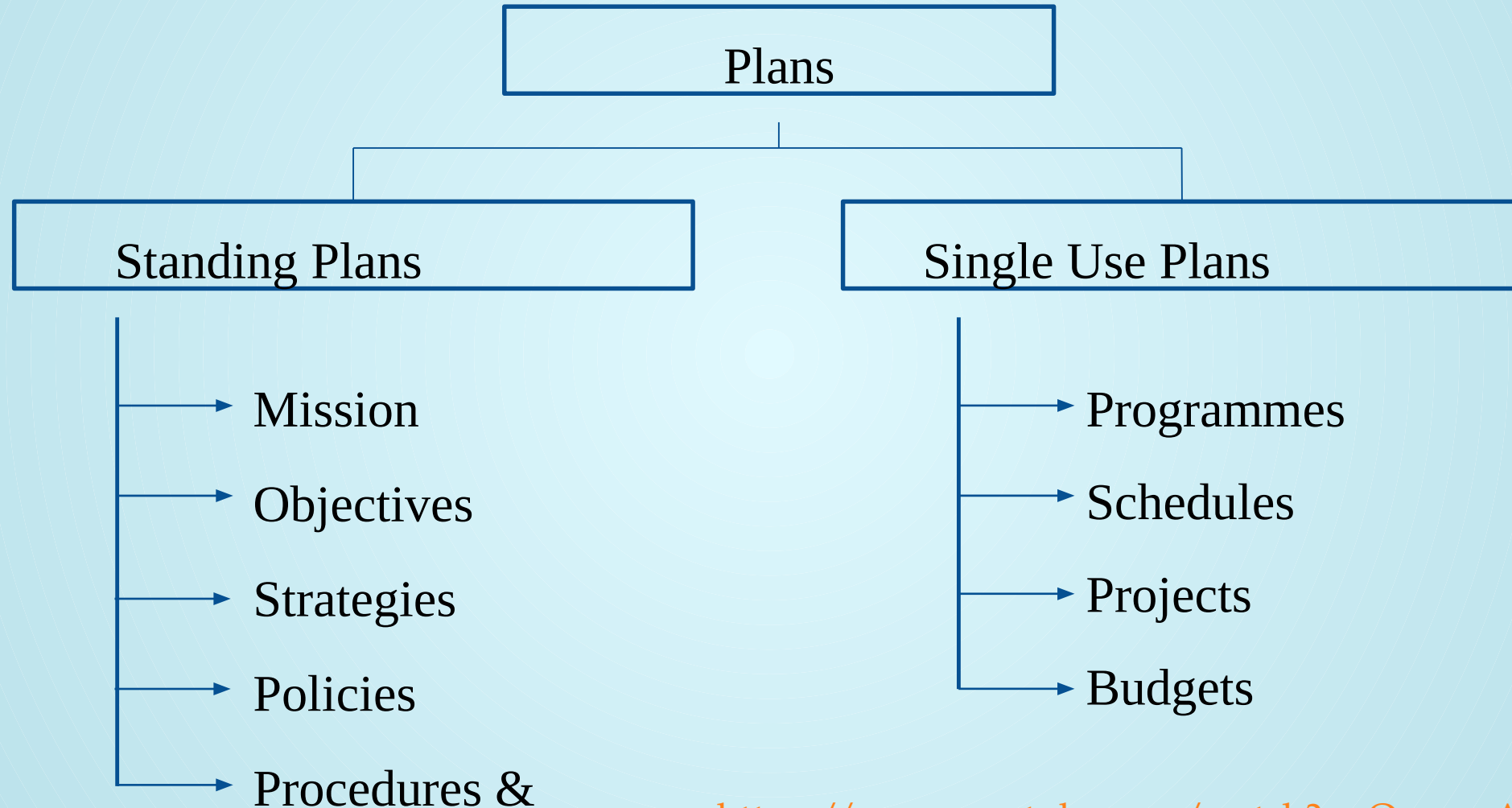
8. To secure co-operation and participation of all employees

- ❖ Involving employees in planning process enhances their co-operation and participation.
- ❖ Continuous suggestions, complaints and criticisms must be solicited from the employees.

9. To measure and control the progress through follow-up

- ❖ Continuous evaluation of plans help in identifying recurring mistakes and avoiding them in future.

Types of Plans



<https://www.youtube.com/watch?v=QzmyvAdweHk>

Mission

The basic purpose and philosophy of the organisation
Talks about the Business the Organisation is into.
Gives a clear idea of the long-run commitment of an
Organisation



Examples of Mission statements

- ❖ Uber: We ignite opportunity by setting the world in motion.
- ❖ Google: To organize the world's information and make it universally accessible and useful.

❖ **Microsoft** - Microsoft says that it believes in what people make possible:

Our mission is to empower every person and every organization on the planet to achieve more.

Objectives

- ❖ Objectives, goals, aims, purposes, missions are the terms with same meaning.
- ❖ Objectives are goals or end-points towards which all business activities are directed.
- ❖ Objectives or goals are the desirable end results planned by the management or administration and expected to be achieved by the organization.
- ❖ Objectives are the products of specific, concrete thinking, they commit employees and organization to verifiable accomplishments.

Smart Objectives

S

SPECIFIC

Details exactly what needs to be done

M

MEASURABLE

Achievement or progress can be measured

A

ACHIEVABLE

Objective is accepted by those responsible for achieving it

R

REALISTIC

Objective is possible to attain (important for motivational effect)

T

TIMED

Time period for achievement is clearly stated

STRATEGY

- It refers to the firm's overall plan for dealing with and existing in the environment.

Features

1. It is a general program of action – an action plan of every organisation
2. More concerned with external problems rather than internal
3. It includes tactics used by the opponents
4. They need to be changed as per the requirements
5. Formulated only at the top level

- Strike while the iron is hot
- Camel's head in the tent
- Strength in unity
- Divide and rule
- Times is a great healer
- One step ahead



Policies

- Policies are the framework/ statements that guide decision making,
- Policies provide the boundaries within which the decision makers are expected to operate while making decisions related to an organization

Eg.

Credit Period cannot be extended beyond 30 days

Policy of No Credit, Only Cash

Policy of Salary Increments to be done at 10% per annum



Procedures

- Procedures are plans that establish proper method for undertaking activities
- AN established methodology / series of steps to perform the task

- Eg.
- Registration Procedure
- Sales Procedure



Rules

- Rules are specific statements of what should be done/ should not be done in certain situations in an organisation.

Eg.

No Smoking in the Company premises

No Bribery in Company premises



Programmes

- A comprehensive plan designed to implement the policies and achieve objective of the organisation.
- Goals + Policies+ Procedures + Rules ===== Achieve Organisation Objectives

Eg.

Training Programme

Marketing Programme

Recruitment Programme

Budget

- Budget is a statement expressed in financial terms the expected results from all the costs including labour, machine etc.
- It is a plan which expresses anticipated results in numerical terms.

Eg.

Cash Budget


Sales Budget

Production Budget



Schedules

- A Schedule is time-table for activities.
- It indicates the start time, completion time for each and every activity



WEEKLY ACTIVITY SCHEDULE

TIME	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
6:00 AM					
7:00 AM					
8:00 AM					
9:00 AM					
10:00 AM					
11:00 AM					
12:00 AM					
1:00 PM					
2:00 PM					
3:00 PM					
4:00 PM					
5:00 PM					
6:00 PM					

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POM, Unit 2 36

Projects

- A single activity/ work of special nature requiring expertise from different departments.

Eg.

Market Research Project

Product launch project

Essentials of a Good Plan

Simple

Clarity of Objectives

Flexible & Adaptive

Continuity

Unity of purpose & direction

Comprehensive & complete

Utilisation of resources & opportunities

Focused on Organisational Goals

Realistic & acceptable

Beneficial to Organisation

Advantages of Planning

Quick achievement of Organisation Objectives

Raises Managerial efficiency

Competitiveness efficiency

Brings Unity of purpose

A guiding force to next level of activities

Ensures full utilisation of resources

Ensures economies in operations

Ensures effective control of operations

Uncertainties are taken care of

Limitations of Planning

- Time-consuming
- Expense to the Organisation
- Limited Practical Value – planning for long term
- Changes in Environmental factors/ situations make planning ineffective
- Difficult to source accurate information / data
- Causes frustration with deviations
- Delays work actions
- Too much paper-work
- Unsuitable for small firms
- Employees may not be involved

Management By Objectives (MBO)



Definition

Management By Objectives (MBO) can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

- MBO – most widely accepted management philosophy of management
- Coined by Peter Drucker in 1954 in his book “The Practice of Management”
- Management by Objectives (MBO) is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization

Main Concept

- The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims.
- The complete MBO system is to get managers and empowered employees acting to implement and achieve their plans, which automatically achieve those of the organization.

Basic Principles of MBO:

- Unity of management action is more likely to occur when there is **pursuit of a common objective**.
- The greater the **focus on results on a time scale**, the greater likelihood of achieving them.
- The greater the **participation in setting meaningful work with accountable results**, the greater the motivation for completing it. These call for:



FEATURES OF MBO

Joint goal setting

Superior-subordinate participation

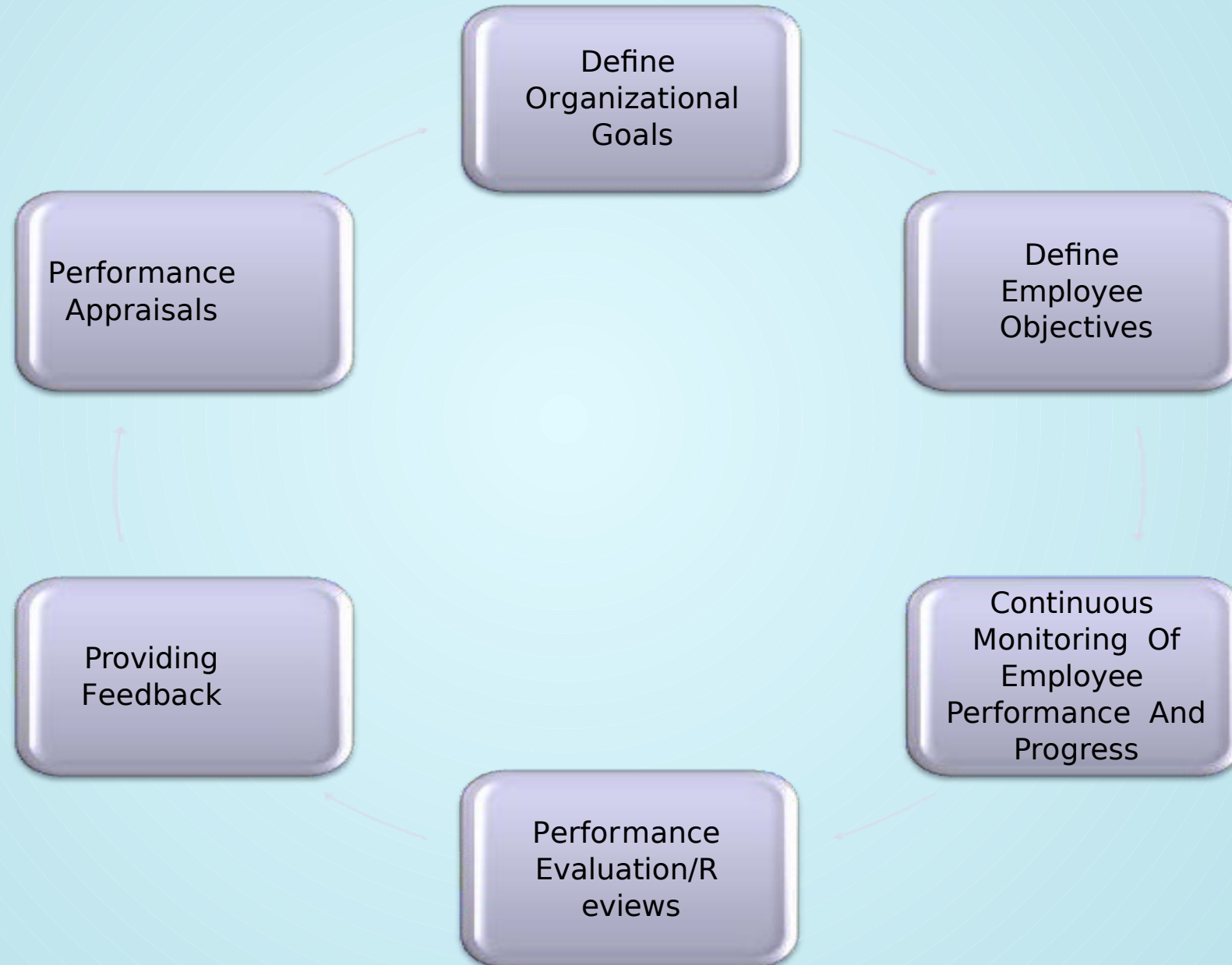
Joint decision on methodology

Review of performance

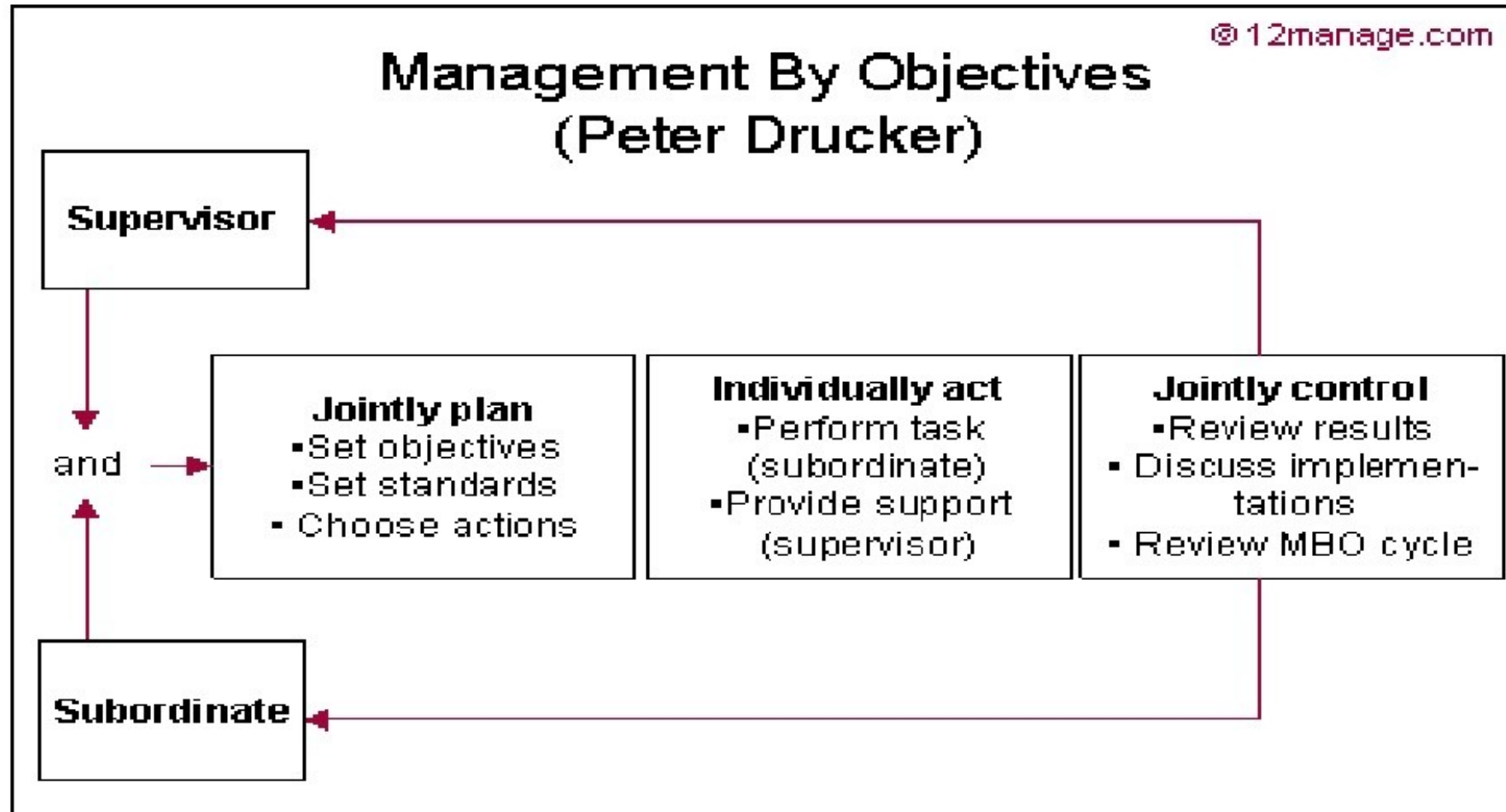
Easy to attain maximum result

Support from superior

The MBO Process



Process of MBO:



MBO Process

1. Define Organizational Goals -

Mission ----- Vision ----- of the organisation



Objectives are set by management team

Internal Analysis – Resources available, management philosophy, employee relations

SWOT

External Analysis – Govt. policies, economic conditions, competitors, demographics, international factors



2. Define Employee Objectives

Employee Individual Goals are determined



Subordinates & Managers collectively fix the objectives

GOALS are SMART

3. Continuous monitoring performance and progress

Periodic evaluation serves as a checkpoint as a performance measure.

This performance is compared to pre-determined targets

Find deviations

4. Performance Evaluation

- Done by concerned superiors to measure & document every step

5. Providing feedback

Continuous feedback is given to employees regarding their performance & individual goals



Monitor, Correct & improve their skills & actions



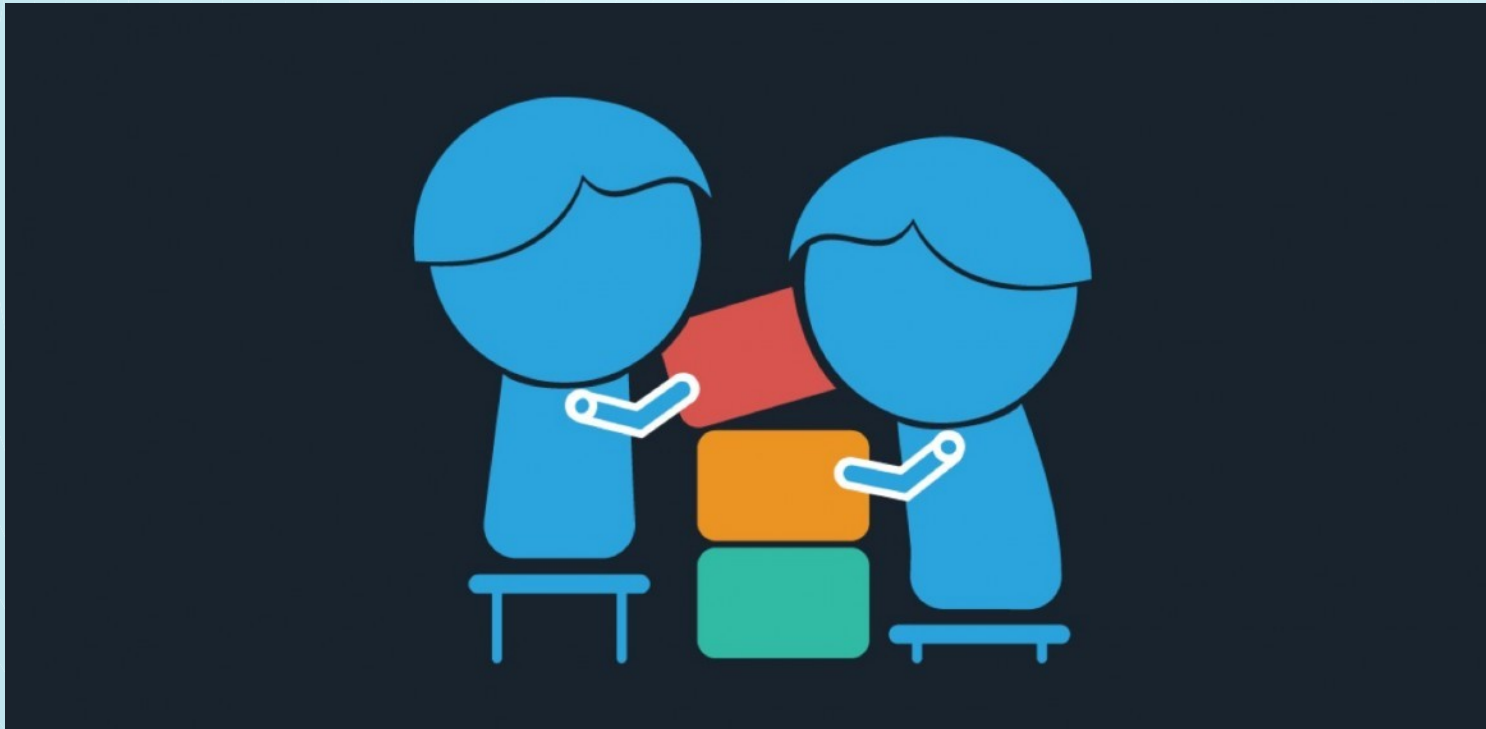
Achievement of goals

6. Performance Appraisal

- Systematic evaluation of the performance of employees



- Performance rewards are given to employees based on successful achievement of objectives



Advantages of MBO

Facilitates Planning

Clarity of structure
& goals

Facilitates effective
control

Motivation to
employees

Assign
responsibilities to
employees

Raises employee
morale

Facilitates
Leadership

Framework of
Organisational
Change and
Development

Limitations of MBO

Time-consuming

Emphasis is on short term goals

Subordinates are under pressure to get along with management

Difficult to set verifiable realistic goals

Dominance of Management

Too much paper work

Difficult to achieve group goals

Managers may not be efficiently skilled in interpersonal skills

Decision Making



Decision Making



A decision is one when there are different things you can do and you pick one of them. You make lots of

decisions everyday!

Some decisions are easy like.....



**What to eat in
breakfast????**

What to wear????



Some decisions are difficult like.....



Choosing a career

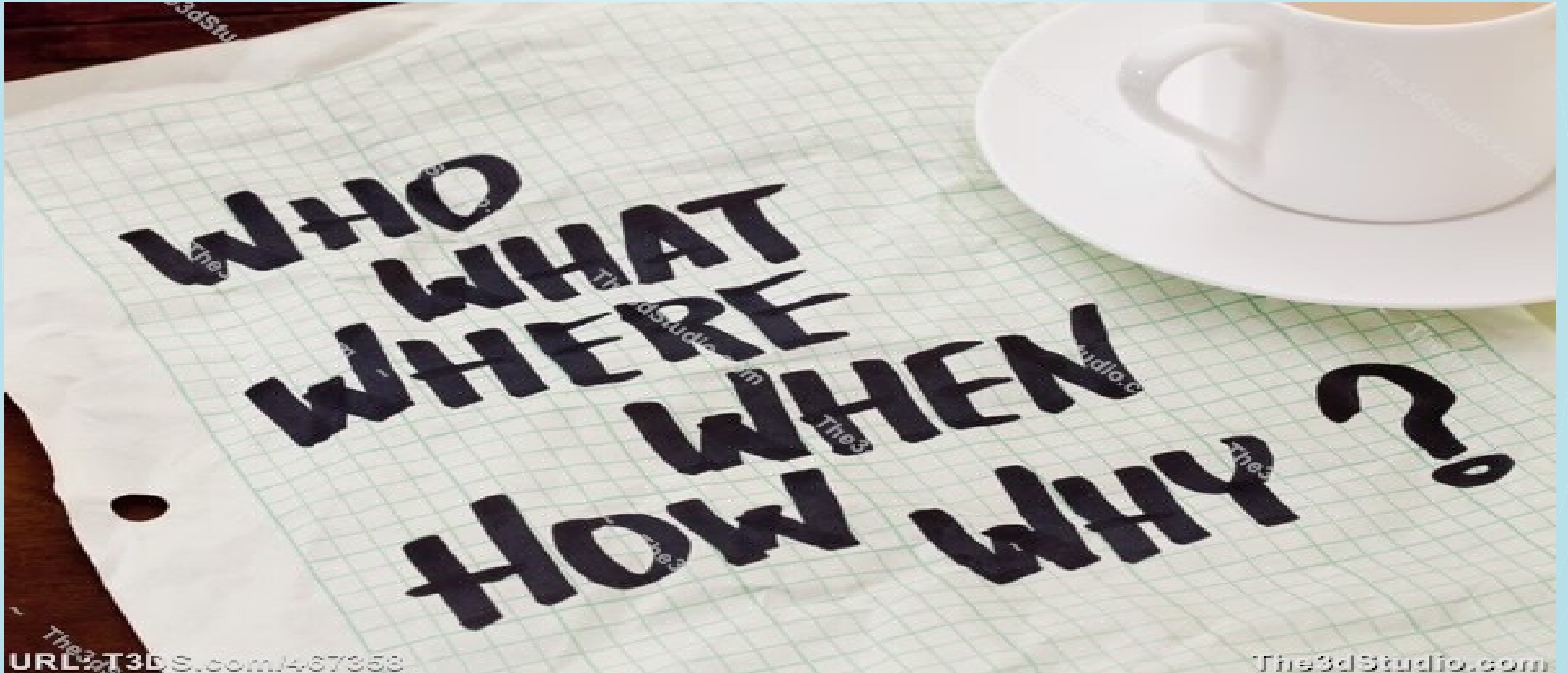
Choosing good friends



Changing a job



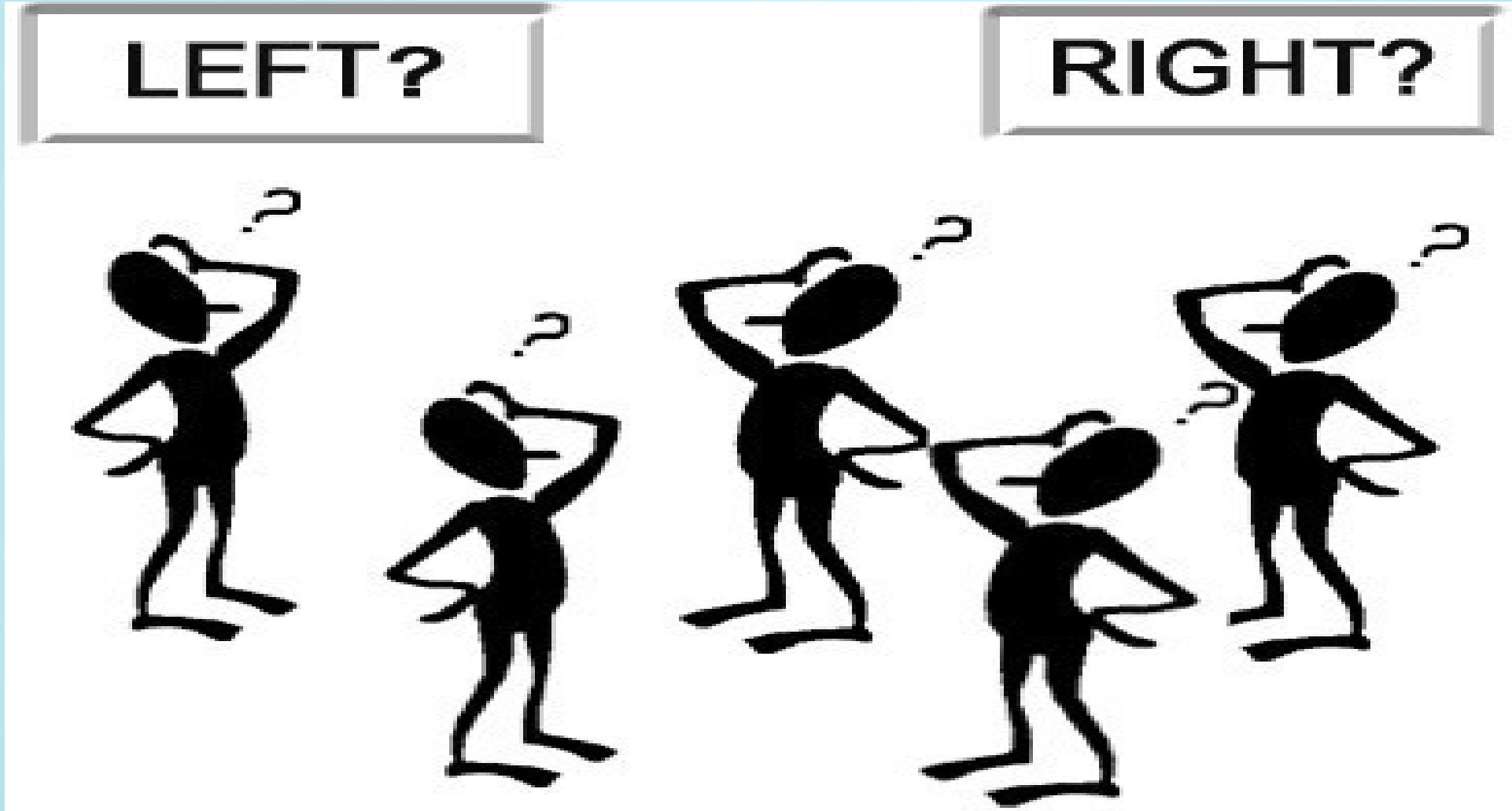
In every situation you have to
search for...



URL: [The3dStudio.com/467358](https://www.The3dStudio.com/467358)

The3dStudio.com

How to make right decisions???

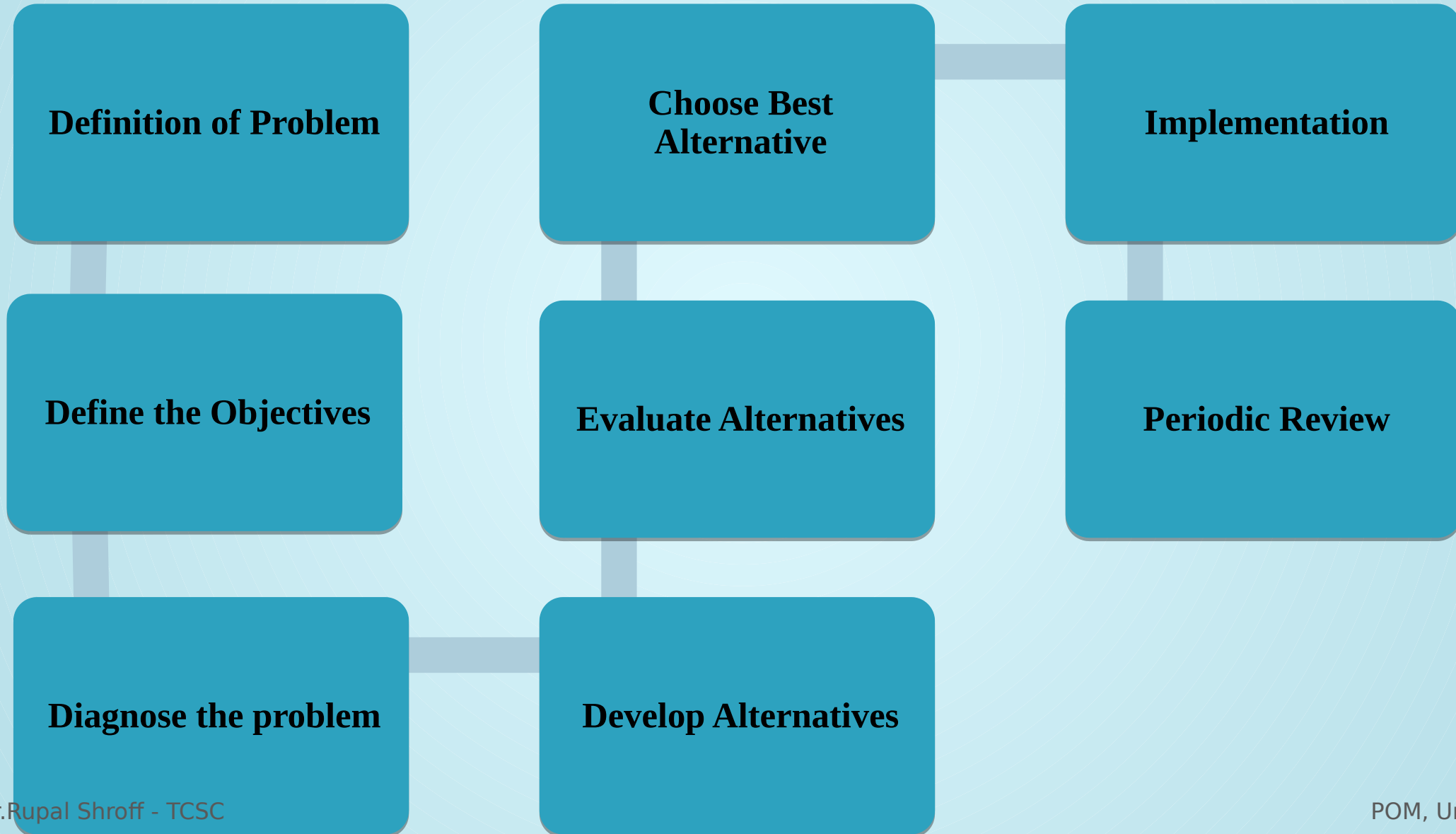


Definition.....

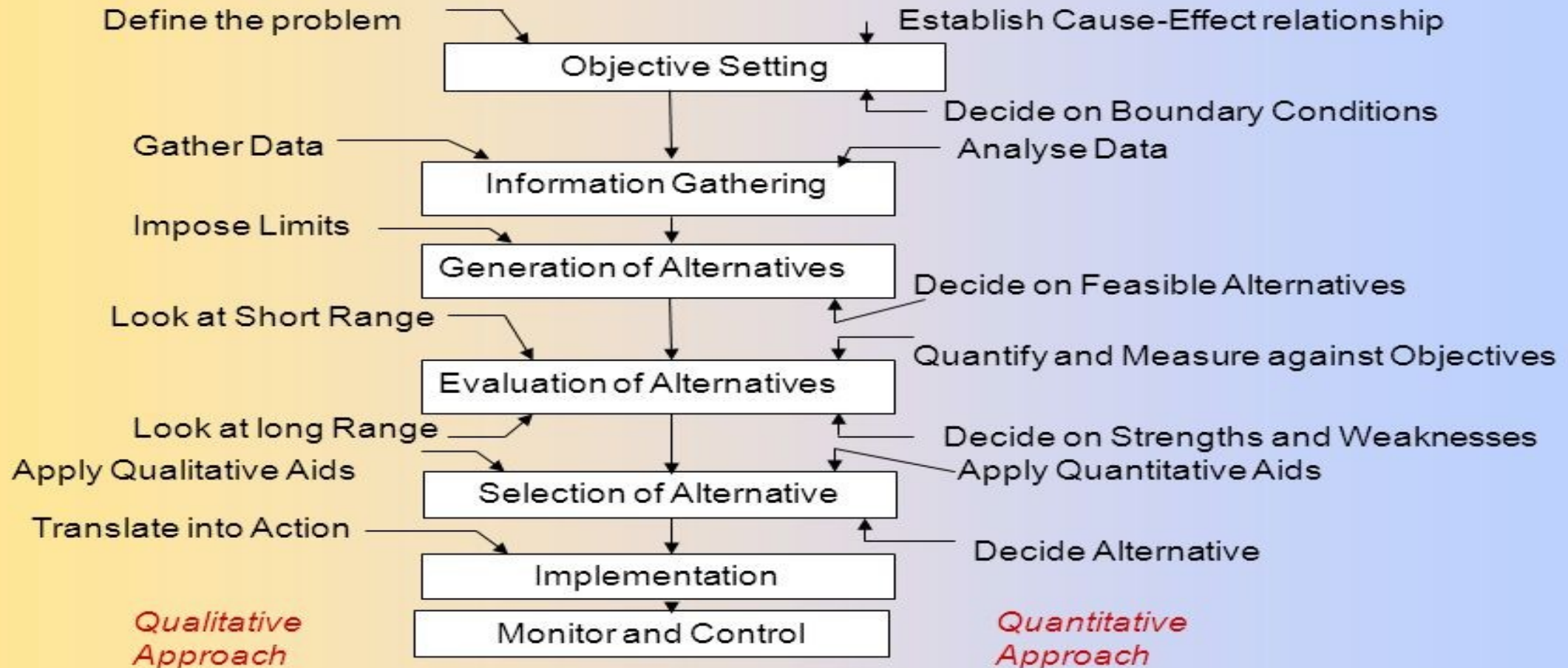
“Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem”.

The process of identifying and selecting a course of action to solve a specific problem.

Decision Making Process



Decision Making Model



Decision-Making



Techniques of Decision Making



Programmed Decisions

- Game Theory
- Decision Tree
- Linear Programming
- Network Techniques
- Queuing Technique

Non Programmed Decisions

- Brainstorming
- Delphi
- Heuristics
- Nominal Group
- Quality Circles

Programmed Decision-Making

- ❑ A decision that is repetitive and routine
- ❑ A definite method for its solution can be established
- ❑ Does not have to be treated a new each time it occurs
- ❑ Procedures are often already laid out
- ❑ **Examples:** pricing standard customer orders, determining billing dates, recording office supplies etc.

Programmed Decisions. .

- Many decisions regarding basic operating systems and procedures and standard organizational transactions fall into this category.
 - McDonald's employees are trained to make the Big Mac according to specific procedures.
 - Starbucks, and many other organizations, use programmed decisions to purchase new supplies [coffee beans, cups and napkins].

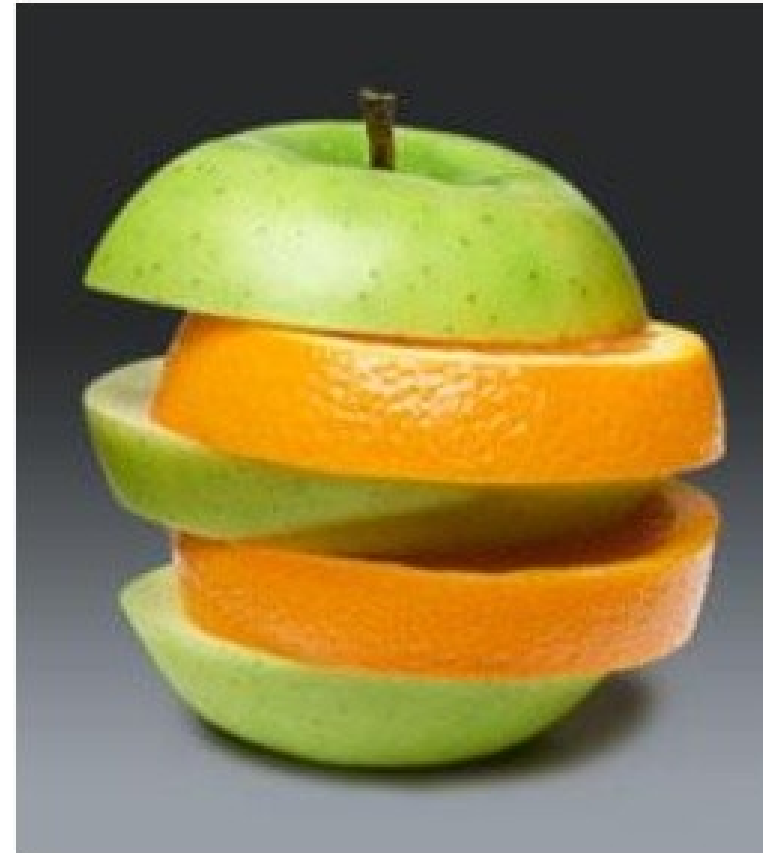


Non-programmed Decisions

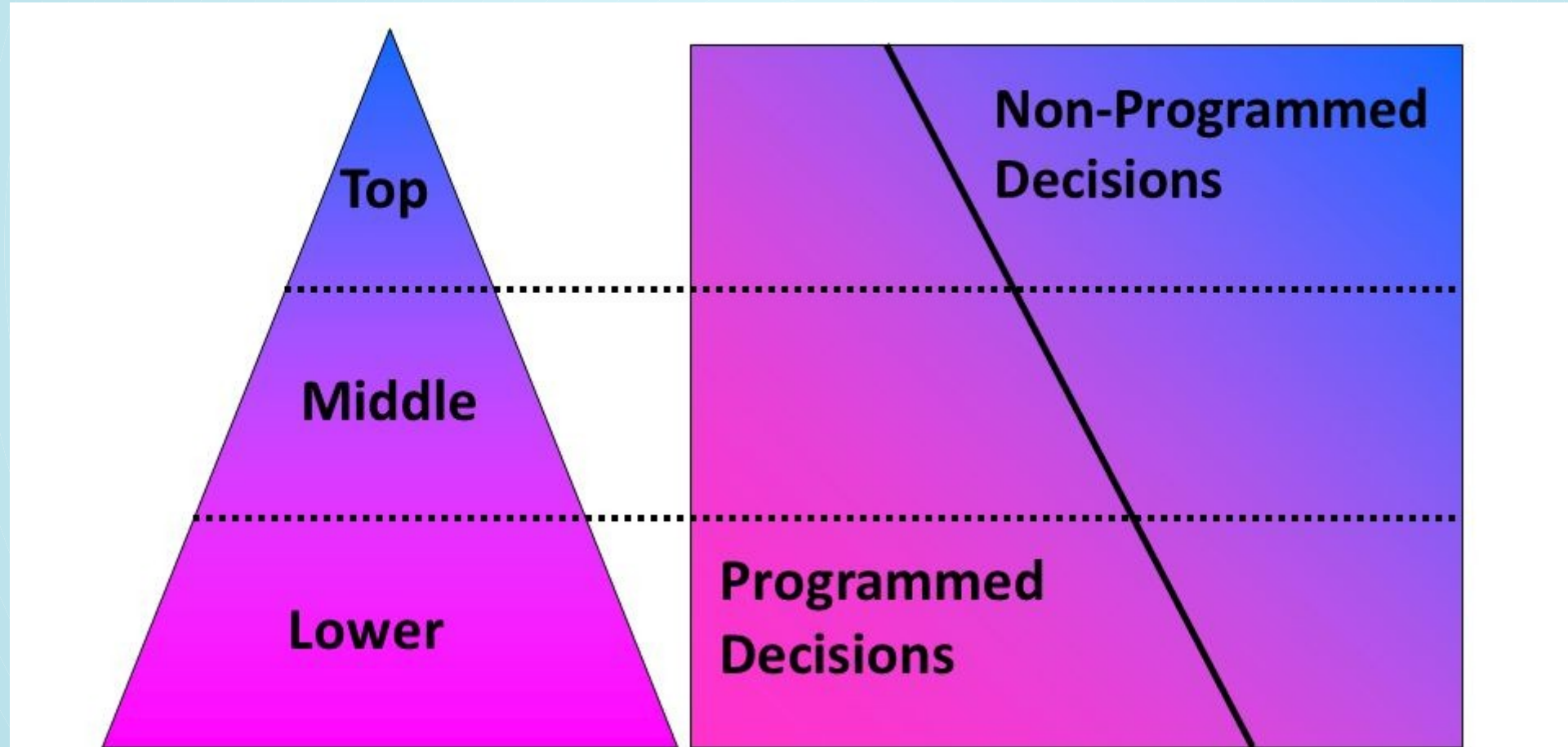
- ❑ A decision that is novel (new or unique) or ill structured
- ❑ No established methods exist, because it has never occurred before or because
- ❑ It is too complex
- ❑ Are “**tough**” decisions that involve risk and uncertainty and
- ❑ call for **entrepreneurial** abilities
- ❑ Such decisions draw heavily on the analytical abilities of the manager
- ❑ **Examples:** Moving into a new market, investing in a new unproven technology, changing strategic direction

Nonprogrammed Decisions. ..

- Most of the decisions made by top managers involving strategy and organization design are nonprogrammed.
 - Decisions about mergers, acquisitions and takeovers, new facilities, new products, labor contracts and legal issues are nonprogrammed decisions.
- Managers faced with nonprogrammed decisions must treat each one as unique, investing great amounts of time, energy and resources into exploring the situation from all views.
- Intuition and experience are major factors in these decisions.



Decision Types & Managerial Levels



Programmed vs. Non-programmed Decisions

Characteristics	Programmed decisions	Non-programmed decisions
Type of problem	Structured	Unstructured
Managerial level	Lower level	Upper level
Frequency	Repetitive	New,unusual
Information	Readily available	Ambiguous or incomplete
Time frame for solution	Short	Relatively long
Solution relies on	Procedures,rules, and policies	Judgment and creativity

TYPES OF PROBABILITY TECHNIQUE OF DECISION MAKING

PROBABILITY THEORY

This theory predicts that certain things would happen and certain things won't. ---The prediction is done based on the past experience. Even if there is a deviation from the presumption, the deviation won't be much to influence the decision.

GAME THEORY

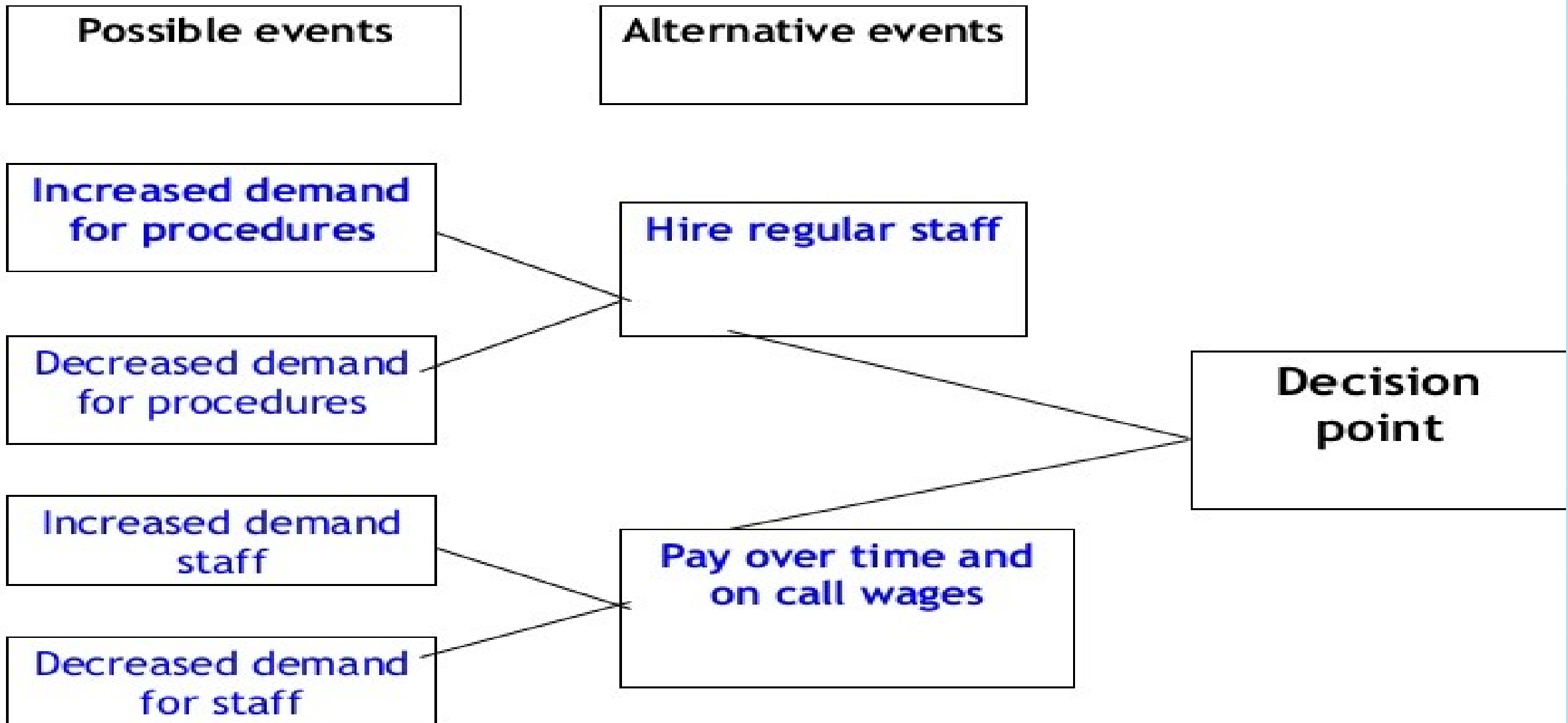
Here a problem is given to various teams. The problem may be pertaining to marketing, finance, production etc. Each team is told to devise strategies, techniques in order to solve the given problem. The objective is to win the game by giving the best solution with the given constraint.

DECISION TREE

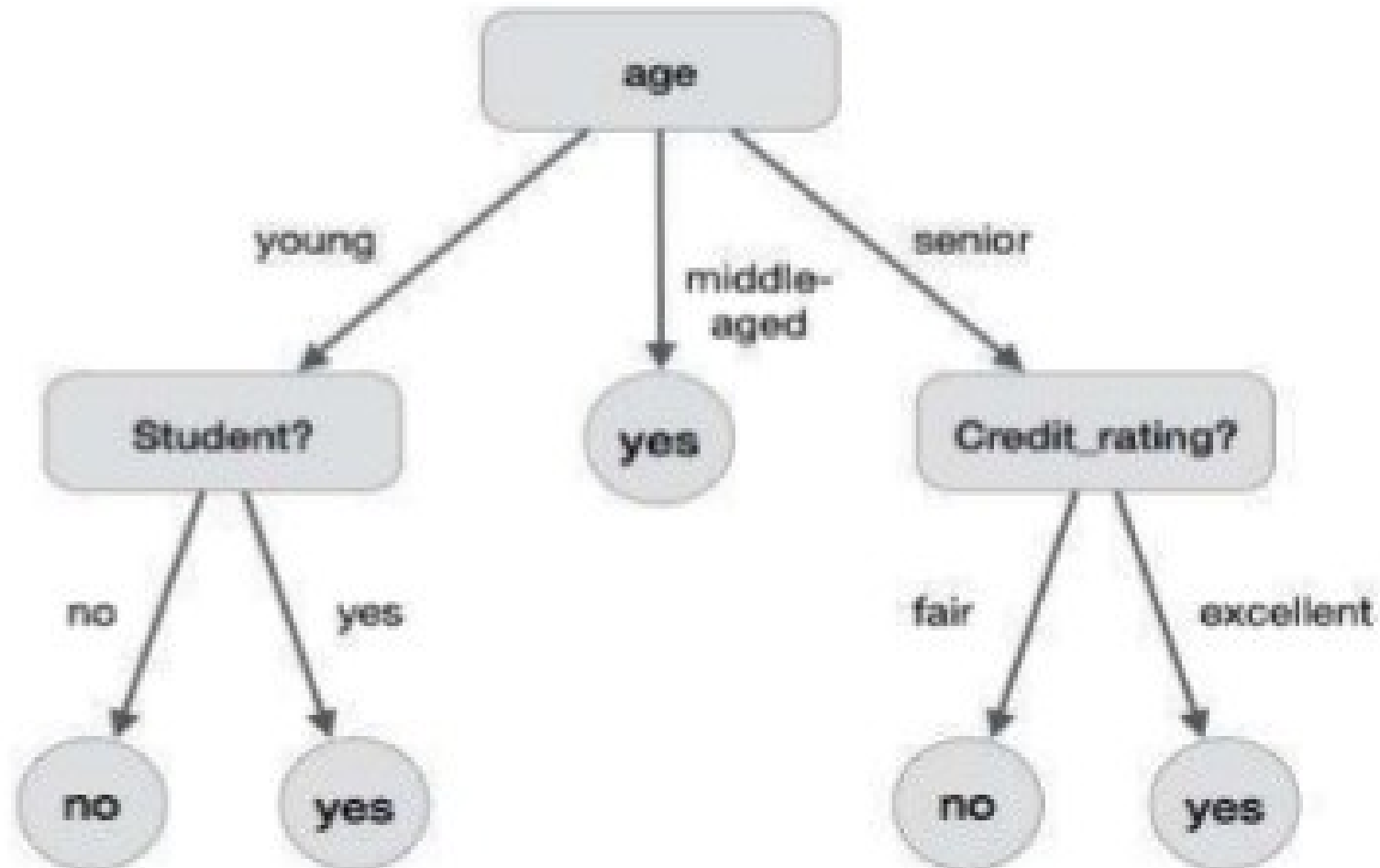


A **decision tree** is a graphical representation of possible solutions to a decision based on certain conditions. It's called a decision tree because it starts with a single box (or root), which then branches off into a number of solutions, just like a tree.

Decision tree model (Marquis and Huston, 2002)



Decision Trees



QUEING THEORY

- This technique is useful to solve problems relating to waiting line or waiting list in the case of railway reservations, cash collection counters in shopping centres, admission to college etc.
- Example at the time of college admission, more counters can be set up for receiving applications and for collection of fees.
- The objective of this technique is to determine the optimum number of service facilities required and the cost of such services.

Queuing problems arises because either

...

There is too much demand on the facilities

(Much waiting time or inadequate Number of service facilities)



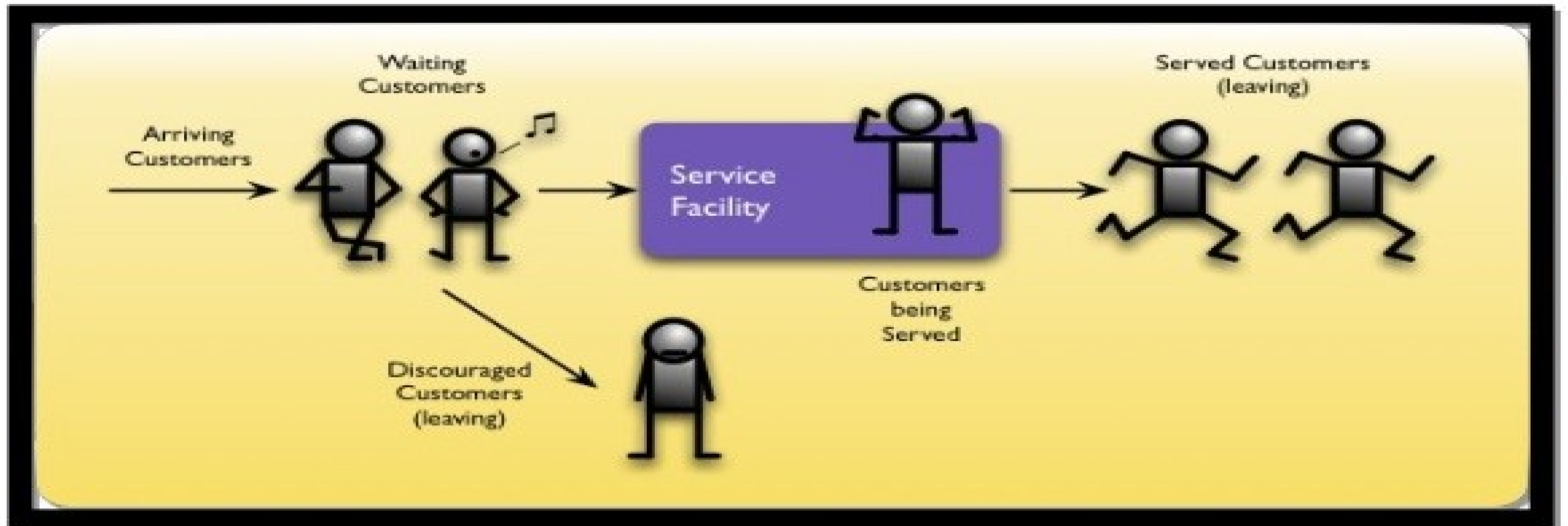
There is too less demand
(Much idle facility time or too Many facilities)



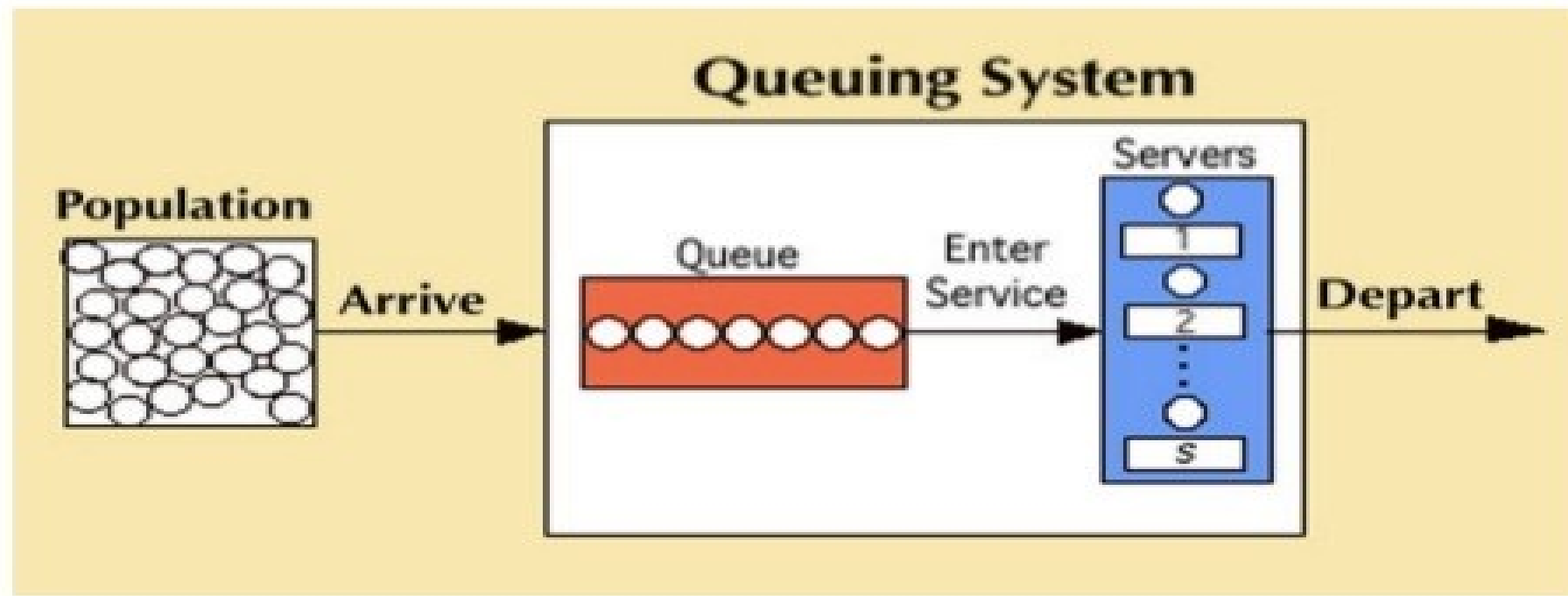
The problem is to either **schedule arrivals or provide extra facilities or both** so as to obtain an optimum balance between costs associated with **waiting time and idle time**.

Basic elements of Queuing System

- Entries or customers
- Queue (waiting lines)
- Service channels or service facility

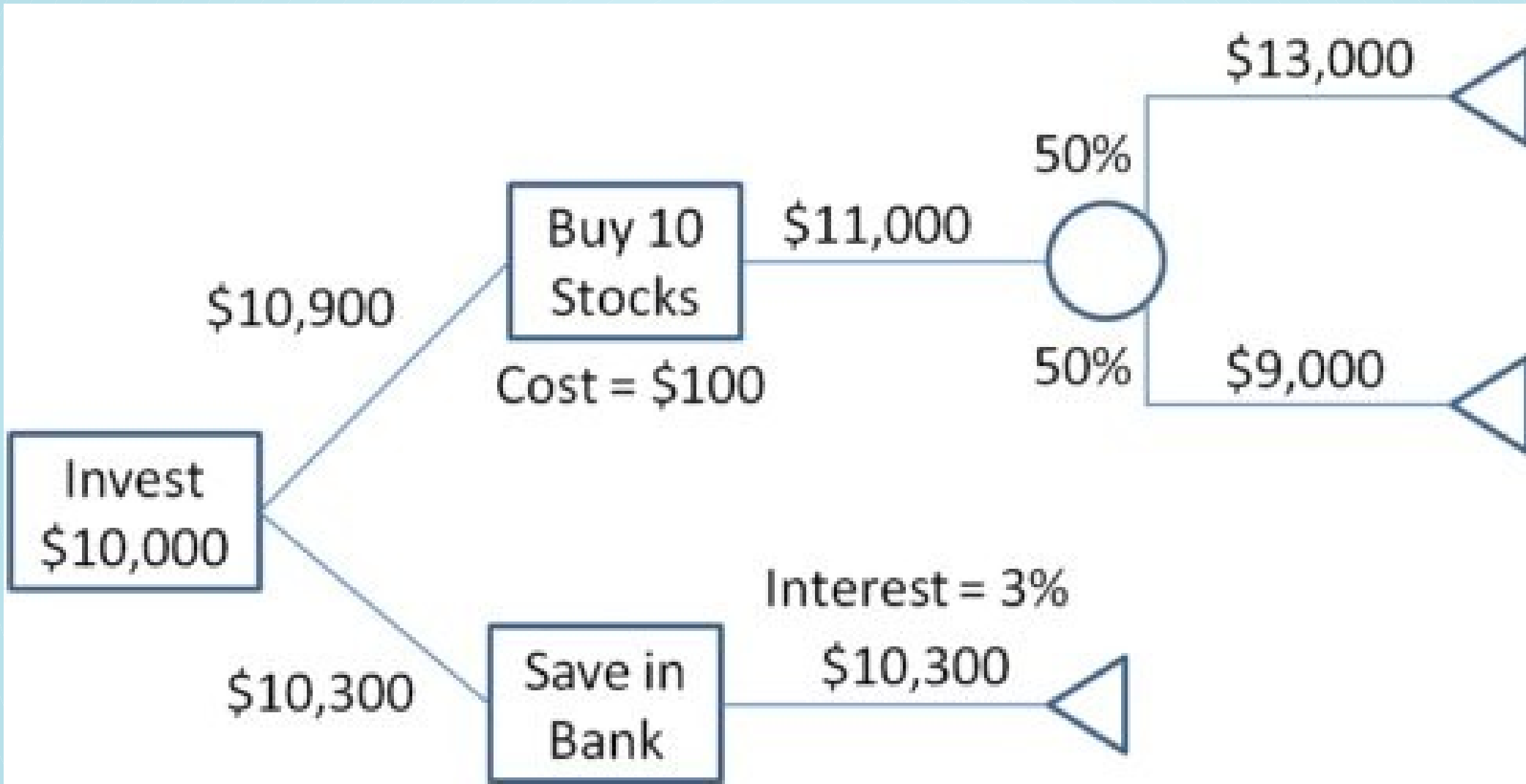


Basic Structure



LINEAR PROGRAMMING

- It is based on assumption that a linear or straight line relationship exists between variables
- For example: In a factory, the variables may be units of output per worker, material cost per unit of output.
- Linear theory is useful where input data can be quantified and object are subject to definite measurement.

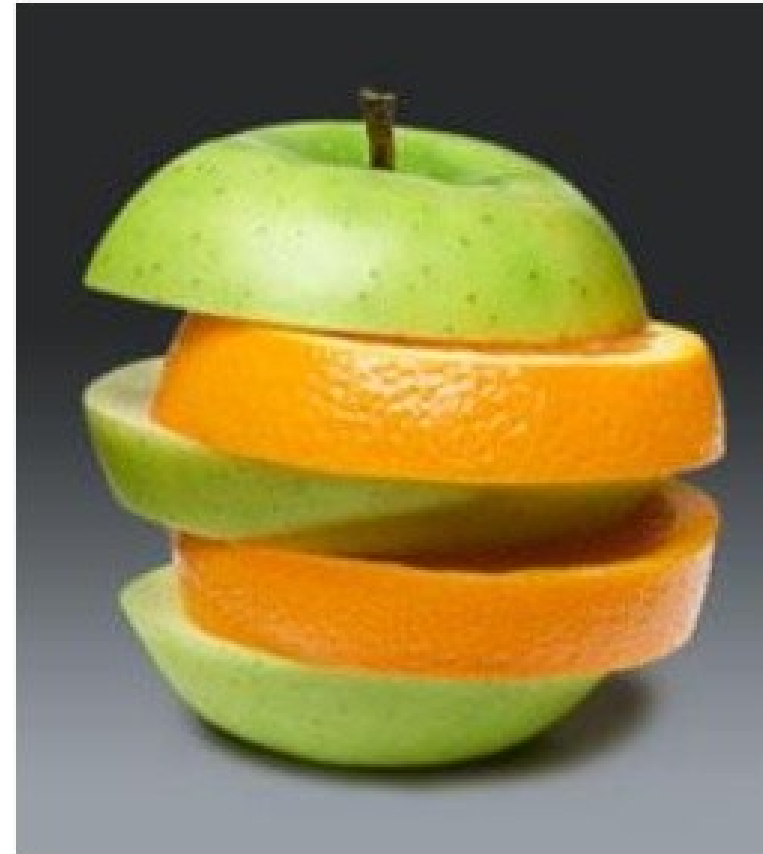


SIMULATION

- The behaviour of events and variables is observed in an artificial or simulated situation.
- The effect of decision making is observed in a simulated situation rather than in a real situation.
- Example: an advertising agency can check the effectiveness of their campaign by screening it to selective audience in a shopping mall before releasing it for wider audience in the television network.

Nonprogrammed Decisions. ..

- Most of the decisions made by top managers involving strategy and organization design are nonprogrammed.
 - Decisions about mergers, acquisitions and takeovers, new facilities, new products, labor contracts and legal issues are nonprogrammed decisions.
- Managers faced with nonprogrammed decisions must treat each one as unique, investing great amounts of time, energy and resources into exploring the situation from all views.
- Intuition and experience are major factors in these decisions.



BRAINSTORMING

- This technique was developed by Alex Osborn.
- This technique was developed to generate new and creative solution to the problem.
- Following are the requisite of a brain storming:
 1. Encourage free flow of ideas
 2. No ideas can be criticised.
 3. One person can give as many ideas as possible.
 4. People are allowed to piggyback on others ideas.



In a typical brainstorming session, a group of 5 to 6 person, sit across the table to generate idea.

2. DELPHI TECHNIQUE

Another technique which capitalises group's resources, while avoiding several possible disadvantages of relying on group decision-making processes

This approach, called the Delphi Technique, is similar to NGT in several respects, but also differs significantly in that the decision-makers never actually meet.

Its greatest advantage is that it avoids many of the biases and obstacles associated with interacting groups (that is, groups where the members meet face-to-face)

DELPHI follows these steps:

- ❑ Select a group of individuals who possess expertise in a given problem area
- ❑ Survey the experts for their opinions via a questionnaire.
- ❑ Analyse and distil the experts' responses.
- ❑ Mail the summarised results of the survey to experts and request that they respond once again to a questionnaire.
- ❑ If one expert's opinion sharply differs from the rest, he or she may be asked to provide a rationale.
- ❑ The process is repeated several times, the experts usually achieve a consensus

QUALITY CIRCLE

- Ishikawa Kaoru popularised the concept of Quality circle in Japan in 1960.
- It is a small group of employees from the same work area or department that volunteers to meet regularly in order to identify, analyse and solve problem.



identify the issue

each member presents their solution

eliminate duplicates

discuss each idea as a group

vote and rank options

pick a solution or repeat

nominal group technique

NOMINAL GROUP TECHNIQUE

- In NGT, the group members think independently.
- Each person comes with their own idea independently.
- There are no initial interaction between group members.
- The interaction takes place when the ideas are presented by each and every members of group.

The Keys To Making a Good Decision

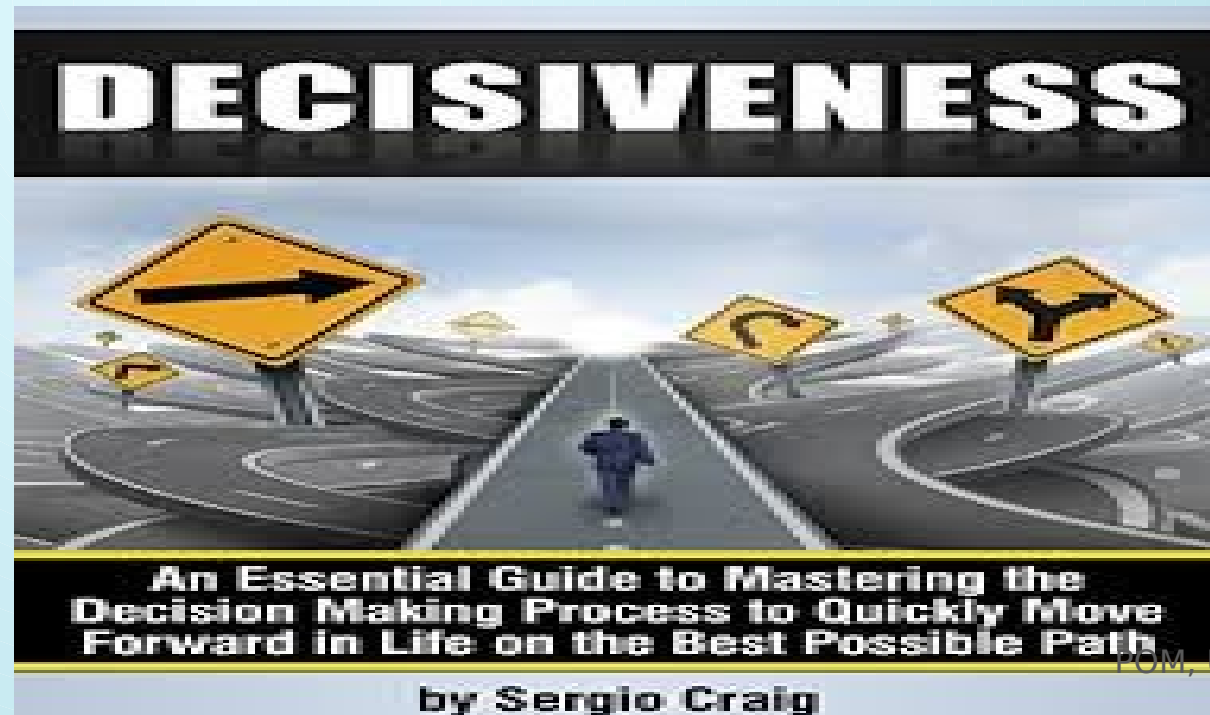
1. Identify the decision to be made as well as the objectives or outcome you want to achieve.
2. Do your homework. Gather as many facts and as much information you can to assess your options.
3. Brainstorm and come up with several possible choices. Determine if the options are compatible with your values, interests and abilities.
4. Weigh the probabilities or possible outcomes. In other words, what's the worst that can happen? What will happen if I do A, B or C and can I live with the consequences?
5. Make a list of the pros and cons. Prioritize which considerations are very important to you, and which are less so. Sometimes when you match the pros against the cons you may find them dramatically lopsided.
6. Solicit opinions and obtain feedback from those you trust or have had a similar situation to contend with. There may be some aspects you haven't thought about.
7. Make the decision and monitor your results. Make sure you obtain the

ESSENTIALS OF DECISION MAKING



IMPACT OF TECHNOLOGY ON DECISION MAKING

Quick decision making.



Accuracy of decision making

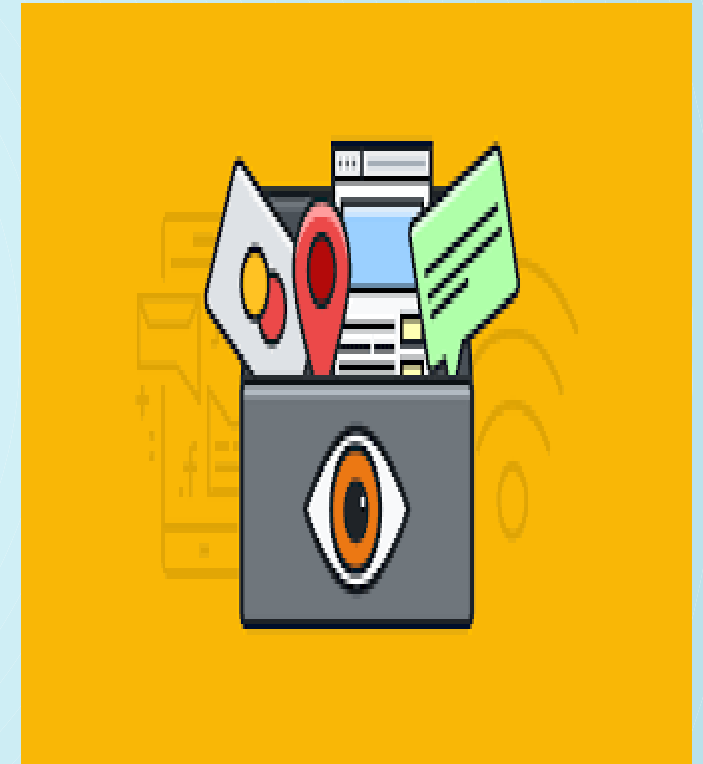


Facilitate group decision making



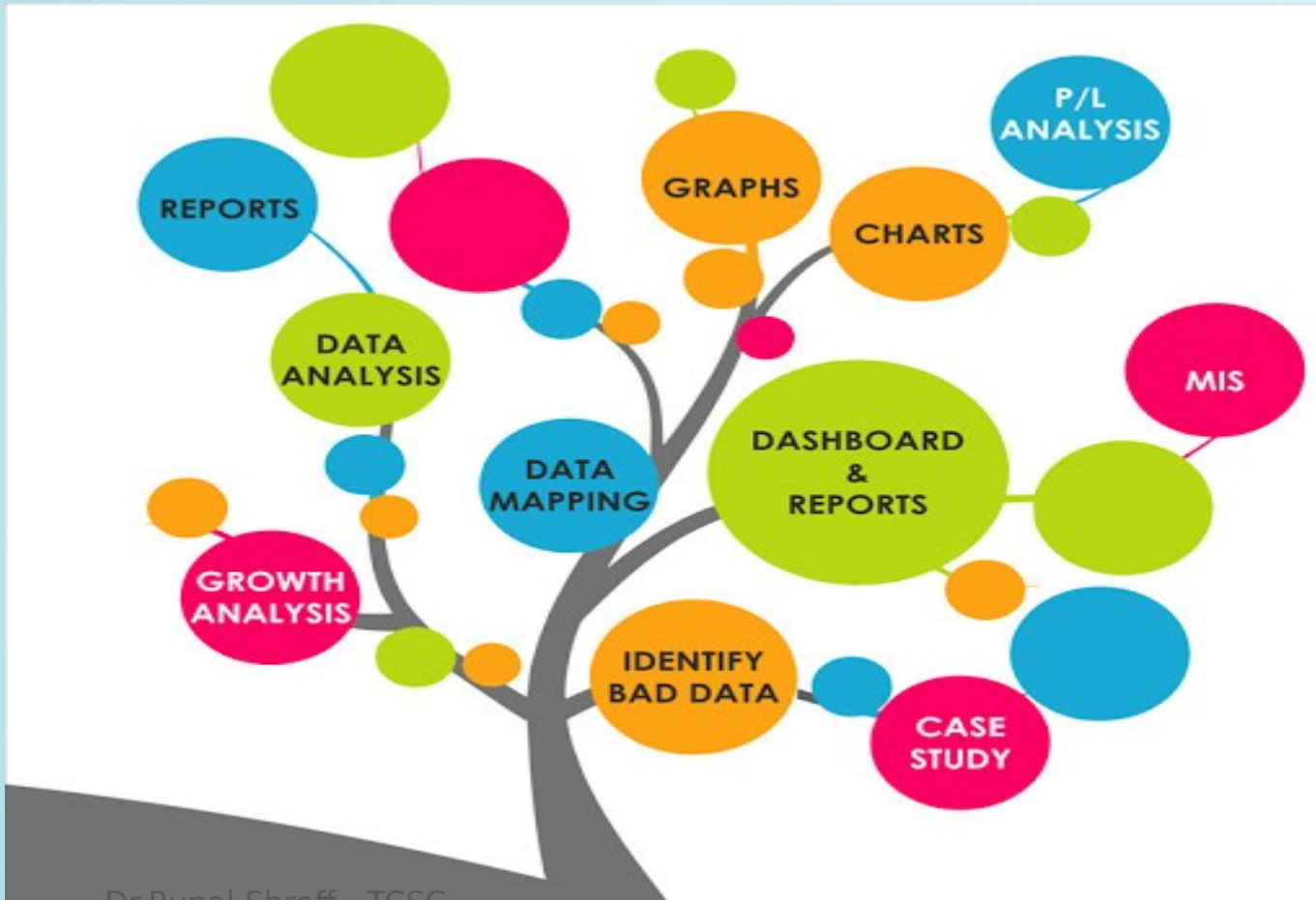
Collection of information

Exchange of information



Access of data

Lower costs



Automation of routine matters

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