



19MEE312

PRINCIPLES

OF

MANAGEMENT



UNIT II

PLANNING

Learning Outcomes:

1. Why and how do managers plan?
2. What types of plans do managers use?
3. What are the useful planning tools and techniques?
4. How can plans be well implemented?

Learning Dashboard

Why and How Managers Plan?

1. Importance of planning
2. The planning process
3. Benefits of planning

Types of Plans Used by Managers

1. Long-range and short-range plans
2. Strategic and tactical plans
3. Operational plans

Planning Tools and Techniques

1. Forecasting
2. Contingency planning
3. Scenario planning
4. Benchmarking
5. Use of staff planners

Implementing Plans to Achieve Results

- a. Goal setting
- b. Goal alignment
- c. Participation and involvement



Why and How Managers Plan:

Planning

The process of setting objectives and determining how to accomplish them

Objectives and goals

Identify the specific results or desired outcomes that one intends to achieve

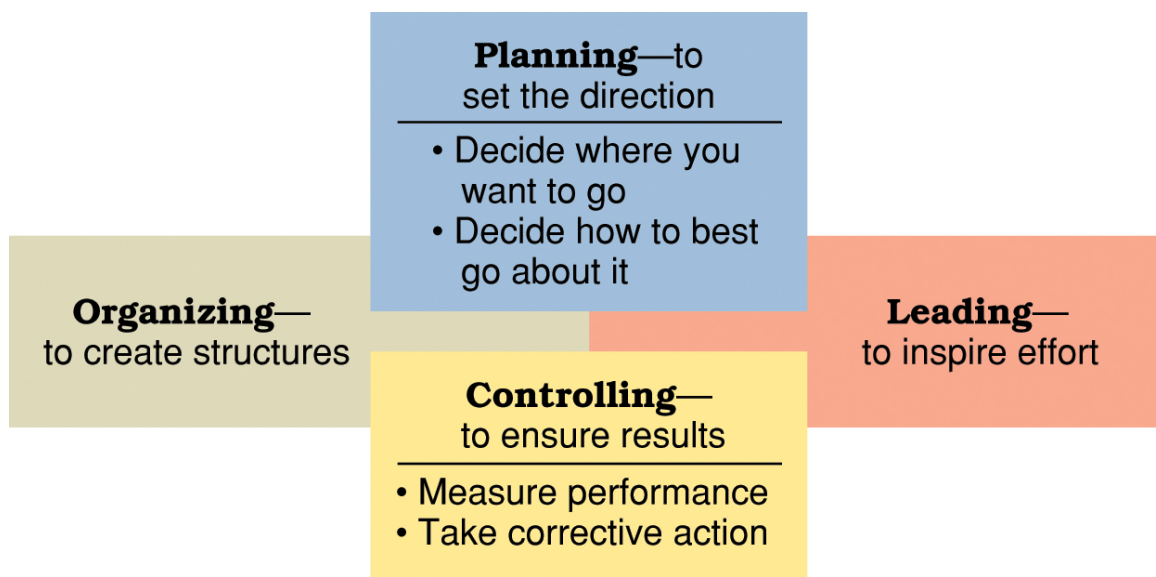
Plan

A statement of action steps to be taken in order to accomplish the objectives

Steps in the planning process:

1. Define your objectives
2. Determine where you stand vis-à-vis objectives
3. Develop premises regarding future conditions
4. Analyze alternatives and make a plan
5. Implement the plan and evaluate results

The roles of planning and controlling in the management process





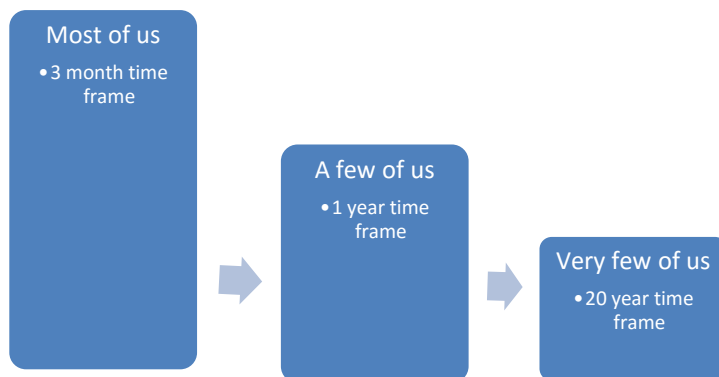
Benefits of planning:

1. Improves focus and flexibility
2. Improves action orientation
3. Improves coordination and control
4. Improves time management

Types of Plans Used by Managers

Types of plans

1. Long-term plans look three or more years into the future
2. Short-term plans typically cover one year or less



Strategic plans — set broad, comprehensive, and longer-term action directions for the entire organization

Vision – clarifies purpose of the organization and what it hopes to be in the future

Tactical plan – helps to implement all or parts of the strategic plan

Functional plans – indicate how different operations within the organization will help accomplish the overall strategy



- Production plans
- Financial plans
- Facilities plans
- Logistics plans
- Marketing plans
- Human resource plans

Operational plans — identify short-term activities to implement strategic plans

- Policies are standing plans that communicate guidelines for decisions
- Procedures are rules that describe actions to be taken in specific situations
- Budgets are plans that commit resources to projects or activities
- Zero based budgets allocate resources as if each budget were brand new

Planning Tools and Techniques

Forecasting

1. Attempts to predict the future
2. Qualitative forecasting uses expert opinions
3. Quantitative forecasting uses mathematical models and statistical analysis of historical data and surveys

Contingency planning

1. Identifying alternative courses of action to take when things go wrong
2. Contingency plans anticipate changing conditions
3. Contingency plans contain trigger points



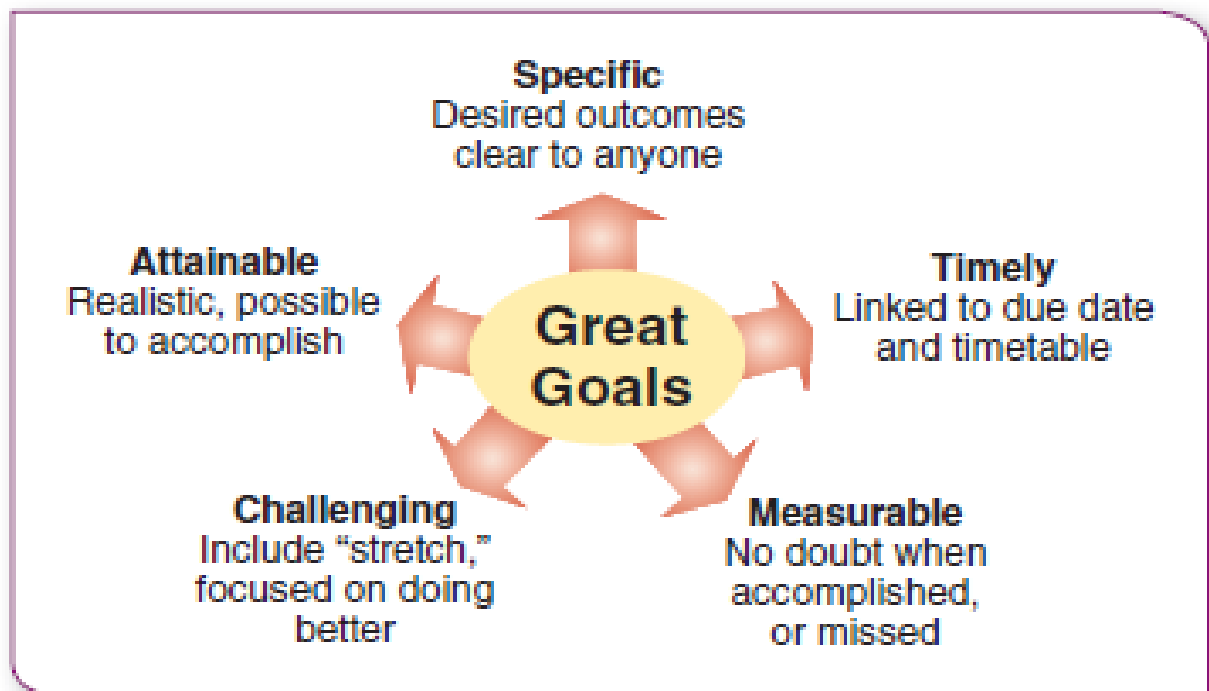
Scenario planning

- A long-term version of contingency planning
- Identifying alternative future scenarios
- Plans made for each future scenario
- Increases organization's flexibility and preparation for future shocks

Benchmarking

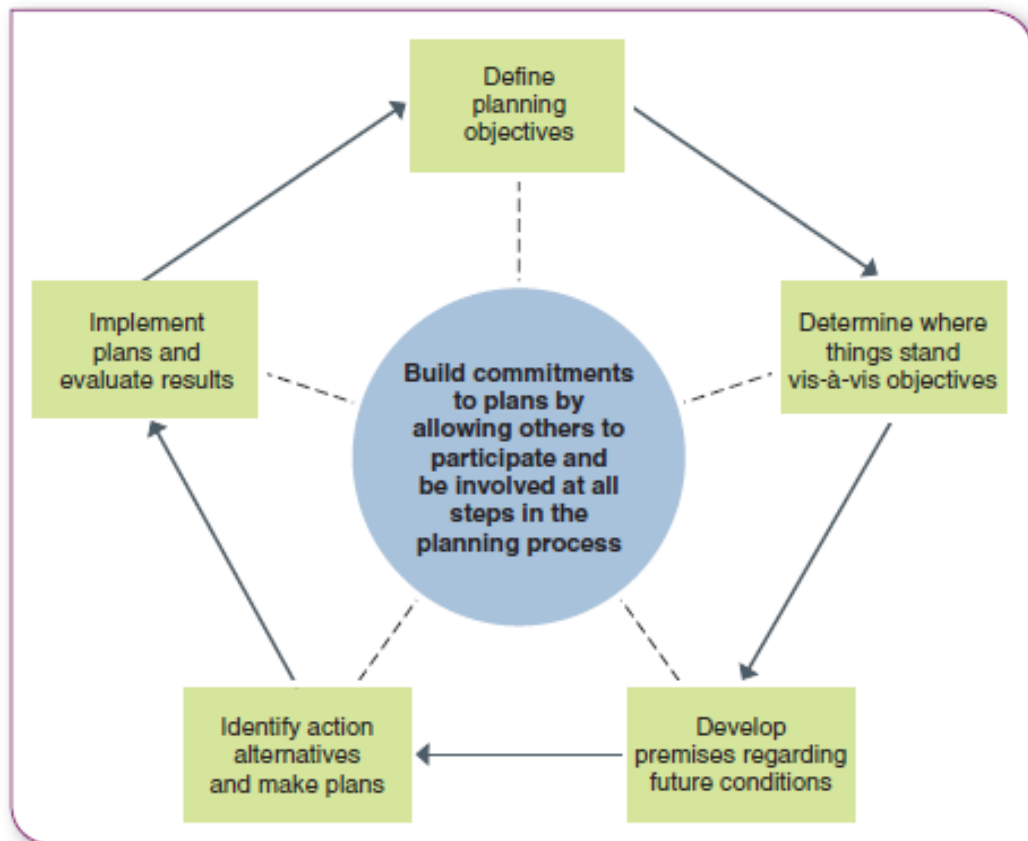
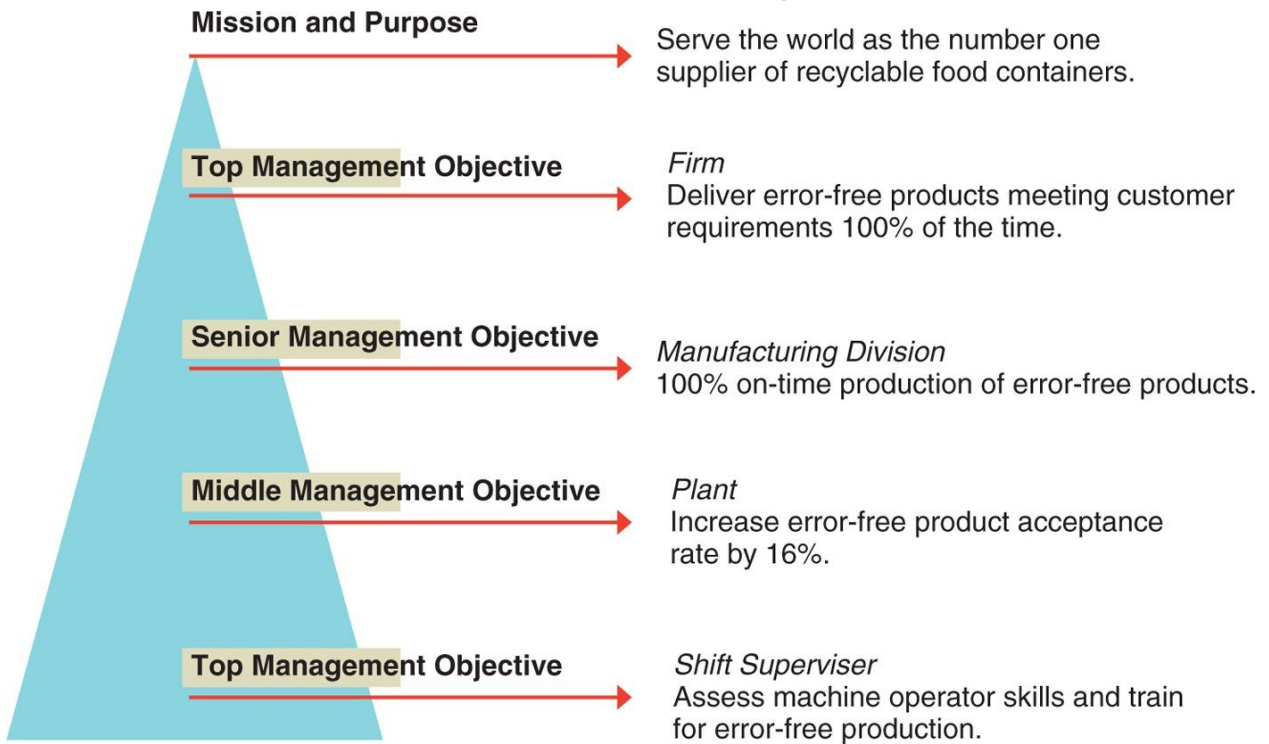
- Use of external and internal comparisons to plan for future improvements
- Adopting best practices: things people and organizations do that lead to superior performance
- Staff planners assist in all steps of the planning process

Implementing Plans to Achieve Results





A sample hierarchy





Obstacles in planning

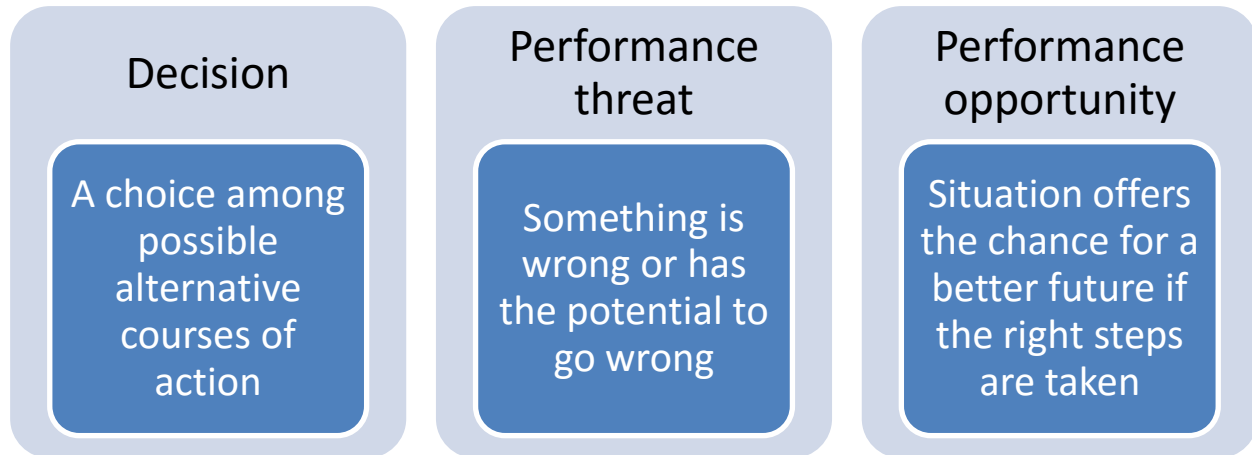
1. **Lack of Environmental Awareness:** manager may not have sufficient knowledge about the organisation to embark on the planning process. Such information includes information on profitability, and more importantly, information on which resources to use for achieving organisational goals.
2. **Lack of organisational Knowledge:** This usually emanates from the manager's who have lack of confidence in their abilities, and have no knowledge about the organisation in terms of goals, sub-units
3. **Resistance to Change:** Changing the organisation's current situation is one of the consequences of planning and some members may resent This tends to reduce the effectiveness of planning.
4. **Time and Expense:** Planning costs money and time, and sometimes sacrifices have to be made. Some members may be unwilling to make such sacrifices, preferring instead to tackle problems as they arise.
5. **Lack of Knowledge of the Benefits from Planning:** If organisational members are not enlightened on the benefits from planning they may not be keen to implement plans.
6. **Lack of Involvement:** If those who are supposed to implement the plans are not involved in the planning, they may not be enough information to enable effective planning.
7. **Lack of Managerial Commitment or Support:** it should be borne in mind that top managerial support is instrumental for effective planning since it ensures that all the policy frameworks is set in place and that all the required resources are provided.



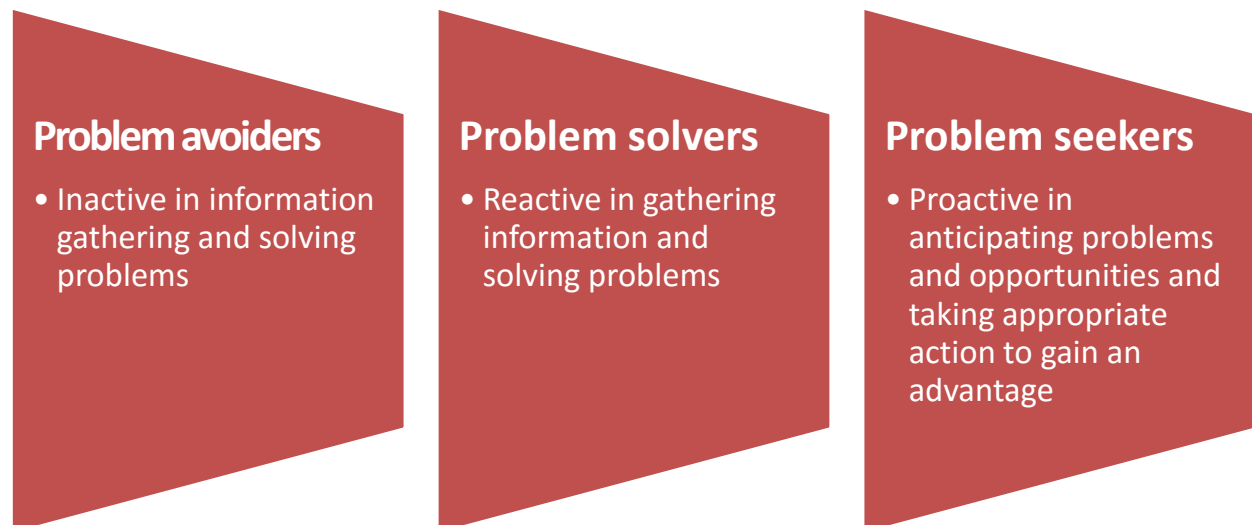
How do managers use information to make decisions?

Problem solving

The process of identifying a discrepancy between actual and desired performance and taking action to resolve it



▪ Problem-solving approaches or styles:

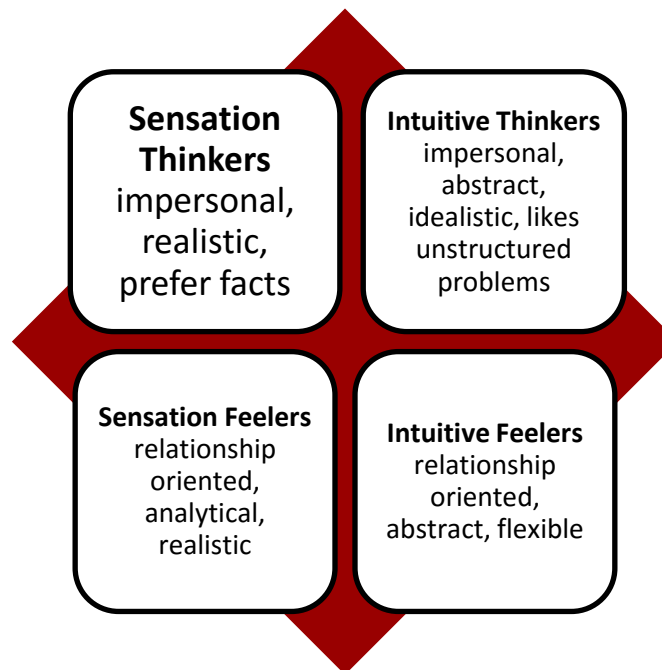




▪ Systematic versus intuitive thinking

Systematic thinking	Intuitive thinking
<ul style="list-style-type: none">approaches problems in a rational, step-by-step, and analytical fashion	<ul style="list-style-type: none">approaches problems in a flexible and spontaneous fashion

Managers use different cognitive styles





Types of problems

- Structured problems are ones that are familiar, straightforward, and clear with respect to information needs
- Programmed decisions apply solutions that are readily available from past experiences to solve structured problems
- Unstructured problems are ones that are full of ambiguities and information deficiencies
- Non programmed decisions apply a specific solution to meet the demands of a unique problem
- Commonly faced by higher-level management

Crisis decision making

A crisis involves an unexpected problem that can lead to disaster if not resolved quickly and appropriately

Five-step decision-making process:

- Identify and define the problem
- Generate and evaluate alternative solutions
- Make decision
- Implement the decision
- Evaluate results

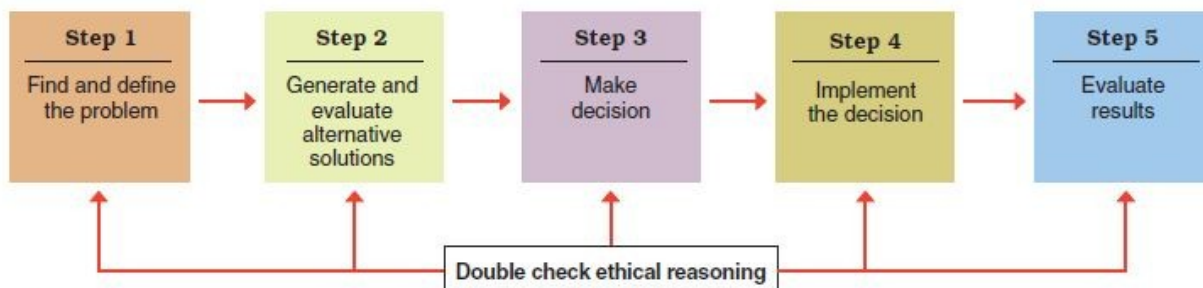


FIGURE 7.5 Steps in the decision-making process.



- **Step 1 — Find and define the problem**
 - Focuses on information gathering, information processing, and deliberation
 - Decision objectives should be established
 - Common mistakes in defining problems:
 - Defining the problem too broadly or too narrowly
 - Focusing on symptoms instead of causes
 - Choosing the wrong problem

- **Step 2 — generate and evaluate alternative courses of action**
 - Potential solutions are formulated and more information is gathered, data are analyzed, the advantages and disadvantages of alternative solutions are identified
 - Approaches for evaluating alternatives:
 - Stakeholder analysis
 - Cost-benefit analysis
 - Criteria for evaluating alternatives:
 - Benefits
 - Costs
 - Timeliness
 - Acceptability
 - Ethical soundness

- **Common mistakes:**
 - Selecting a particular solution too quickly
 - Choosing a convenient alternative that may have damaging side effects or may not be as good as other alternatives

- **Step 3 — decide on a preferred course of action**
 - Two different approaches
 - Behavioral model leads to satisficing decisions
 - Classical model leads to optimizing decisions



Classical Model

- Structured problem
- Clearly defined
- Certain environment
- Complete information
- All alternatives and consequences known

Optimizing Decision

Choose absolute best among alternatives

Rationality

Acts in perfect world

Manager as decision maker

Bounded rationality

Acts with cognitive limitations

Behavioral Model

- Unstructured problem
- Not clearly defined
- Uncertain environment
- Incomplete information
- Not all alternatives and consequences known

Satisficing Decision

Choose first "satisfactory" alternative

▪ Step 4 — implement the decision solution

- Involves taking action to make sure the solution decided upon becomes a reality
- Managers need to have willingness and ability to implement action plans
- Lack-of-participation error should be avoided

▪ Step 5 — evaluate results

- Involves comparing actual and desired results
- Positive and negative consequences of chosen course of action should be examined
- If actual results fall short of desired results, the manager returns to earlier steps in the decision-making process



▪ Issues in decision making

- How do decision errors happen?
- Hueristics are strategies for simplifying decision making

Availability Bias

- Bases a decision on recent information or events

Representativeness Bias

- Bases a decision on similarity to other situations

Anchoring and Adjustment Bias

- Bases a decision on incremental adjustment from a prior decision point

Framing Error

- Trying to solve a problem in the context in a positive or negative context

Confirmation Error

- Focusing on information that confirms a decision already made

Escalating Commitment

- Continuing a course of action even though it is not working



What is Management by Objectives (MBO)?

According to Koontz and Weihrich, “Management by Objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and it consciously directed toward the effective and efficient achievement of organizational and individual objectives.”

According to George Odiorne “MBO is a process whereby the superior and subordinate managers of an organization jointly identify its [the organization’s] common goals, de- fine each individual’s major area of responsibility in terms of the results expected of an individual, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Features of Management by Objectives (MBO)

1. **Goal-oriented:** MBO is goal-oriented rather than work-oriented as it focuses on what must be accomplished rather than on how it is to be accomplished.
2. **Participation of all:** It involves the participation of subordinate managers in the goal-setting process. It requires all key personnel to contribute the maximum to achieve the overall objectives.
3. **Focuses on KRAs:** MBO focuses on measurable and verifiable goals in the key result areas. It helps to balance the goals of all the key personnel.
4. **Dynamic:** MBO is a dynamic system which integrates company’s needs to achieve the objective.
5. **Managerial philosophy:** Management by Objectives is a managerial philosophy and not just a simple technique or method. Because a philosophy directs and influences every element of management, whereas a technique is only useful in certain areas. MBO is an approach involving different techniques to more finest management.
6. **Serve as a criterion:** To evaluate the complete performance of the organization, corporate, functional and personal goals under Management by Objectives serve as a criterion. Managers will be able to assess the efficiency of subordinates through the comparison of goals and actual results, and in some ways, the top level can assess the efficiency of other managers too.



7. **Continuous process:** MBO is a continuous process of goal setting, periodic appraisals and modification of goals and performance.

Advantages of Management by Objectives (MBO)

Advantages	Disadvantages
<ul style="list-style-type: none">• More Clarity towards Objectives• Better Management• Enhanced Individual Commitment• Establishing Controls• Improved Communication• Motivation and Morale	<ul style="list-style-type: none">• Goal-Setting Problem• Time-Consuming• More focus on Short-term Objectives• Incapable to provide Guidelines to Goal Setters• Inflexibility• Increased Paperwork

Policy formulation

Policy formulation is the process by which governments and other organizations develop policies that guide decision-making and action. Effective policy formulation is essential to addressing social and economic challenges and achieving positive outcomes for individuals and society as a whole.

The Importance of Policy Formulation

Policy formulation plays a critical role in shaping society and addressing important issues. Policies guide decision-making and action, and they can have a significant impact on individuals and communities. Effective policies can promote economic growth, protect public health and safety, and advance social justice and equality.



Poorly formulated policies, on the other hand, can have negative consequences. They can exacerbate social and economic disparities, erode public trust in government, and contribute to social unrest and instability.

The Policy Formulation Process

The policy formulation process typically involves several stages, including agenda-setting, policy development, adoption, and implementation.

Agenda-Setting: The first stage of policy formulation involves identifying issues that require attention and setting priorities. This may involve conducting research, consulting with stakeholders, and assessing public opinion.

Policy Development: The second stage involves developing policy proposals that address the issues identified during agenda-setting. This may involve drafting legislation, developing regulations, or creating programmatic interventions.

Adoption: Once policy proposals have been developed, they must be adopted by the appropriate decision-making bodies. This may involve legislative or executive action, depending on the nature of the proposal.

Implementation: The final stage of policy formulation involves implementing policies and monitoring their impact. This may involve developing operational plans, allocating resources, and establishing monitoring and evaluation frameworks.



Challenges of Policy Formulation

Policy formulation can be a complex and challenging process, particularly when dealing with issues that are contentious or require difficult trade-offs. Some of the challenges of policy formulation include:

Lack of Data: Policy formulation requires accurate and reliable data to inform decision-making. In some cases, data may be lacking or incomplete, making it difficult to develop evidence-based policies.

Political Pressures: Policymakers may face pressure from interest groups, political parties, or other stakeholders to adopt policies that may not be in the public interest.

Limited Resources: Policymakers may be constrained by limited resources, making it difficult to address all of the issues that require attention.

Limited Expertise: Policymakers may not have the expertise or resources necessary to develop effective policies. In such cases, it may be necessary to engage with experts, stakeholders, and other decision-makers to develop effective policies.

Reference:

1. Harold Koontz, and Weihrich, 'Essential of Management' 8th Edition, Tata Mc Graw Hill Education, Delhi, (2010).
2. John R. Schermerhorn, Jr. Management. 12th Edition, John Wiley and Sons, (2012)