Planning and Decision Making

Planning

- Planning involves defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and co-ordinate work activities. It is concerned with both ends (what) and means (how).

Planning

Why Do Managers Plan

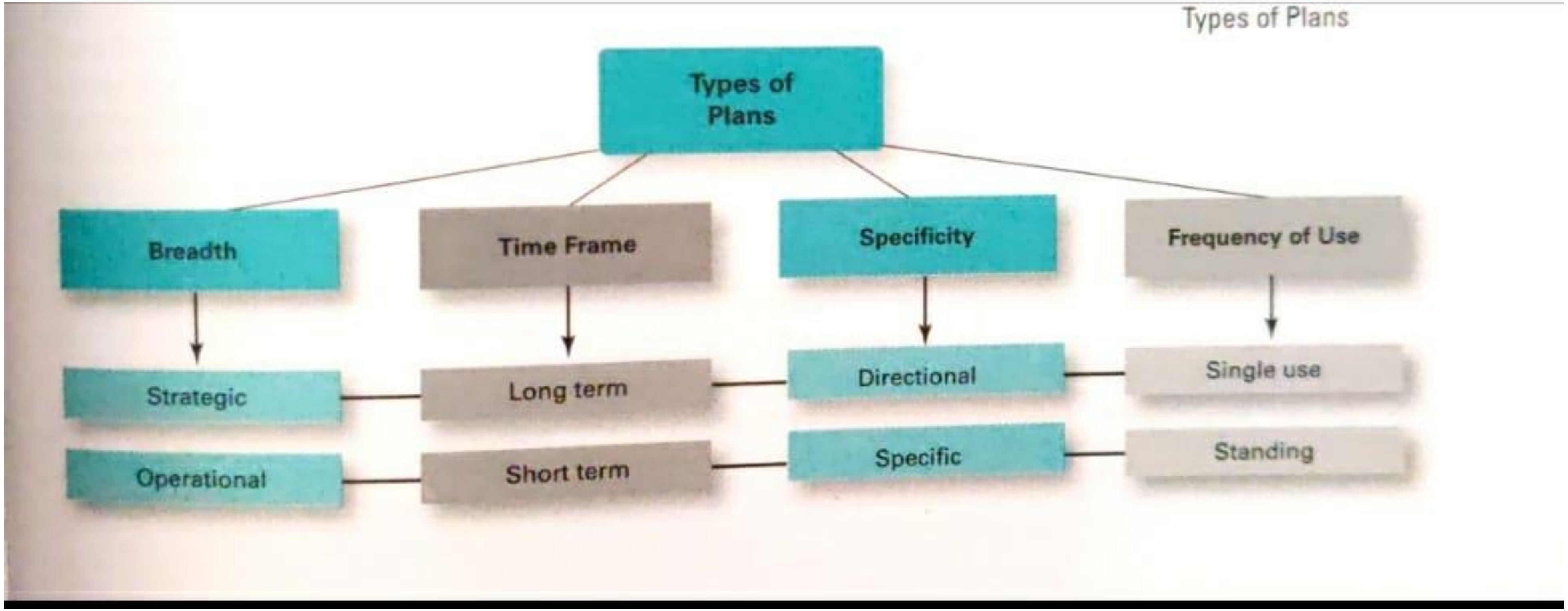
- Planning provides direction to managers and non managers alike.
- Planning reduces uncertainty by forcing managers to look ahead, anticipate changes, consider the impact of change, and develop appropriate responses.
- Planning minimizes waste and redundancy. when work activities are coordinated around plans inefficiencies become obvious and can be corrected or eliminated.
- Planning establishes the goals or standards used in controlling.

GOALS and PLANS

- Goals (objectives) are decide outcomes or targets. They guide management decisions and form the criteria against which work research are measured.

- Plans are documents that outline how goals are going to be met they usually include resource allocations, schedules, and other necessary actions to accomplish goals.

Types of Plans



Types of Plans

- **Strategic plans** are plans that apply to the entire organization and establish the organizations overall goals.
- **Operational plans**. Plans that encompass a particular operational area of the organization.
- **Long term plans** are those with a time-frame beyond three years previously it used to be 7 years
- **Short term plans** cover 1 year. Any time period between would be an intermediate plan.

Types of Plans

- **Specific plans** are clearly defined and leaves no room for interpretation. a specific plans States its objectives in a way that eliminates ambiguity and problems with misunderstanding. **For instance** A manager who seeks to increase his unit's output by 8% over a given 12 months period, might established specific procedures, budget allocations and scheduled activities to reach that goal.
- **Directional plans** are flexible plans that set out general guidelines. they provide focus but don't lock managers into specific course of action example at the morning Star company, professional employees self manage their relationships with colleagues, customers and suppliers without specific directions from the company executive. these employees are simply expected to hold themselves accountable to achieve the company's mission.

Types of Plans

- **Single-use plan.** it is a one time plan specifically designed to meet the needs of a unique situation. for instance, when Walmart wanted to expand the number of its stores in China, top level executives formulated a single use plan as a guide to stop.
- **Standing plan** are ongoing plans that provide guidance for activities performed repeatedly. Standing plans include policies, rules and procedures. These are the Ongoing plans that provide guidance for activities performed repeatedly.

Planning Process

- Establishing objectives
- Collection of information and forecasting
- Development of planning premises
- Search of alternatives
- Evaluation of alternatives
- Selection of planning and development of derivative plans

Planning Process

- **Establishing objectives:** The first step in planning is the determination of objectives. Objectives provide directions to various activities in the enterprise. Planning has no utility if it is not related to objectives. Objectives clarify the tasks to be accomplished. The derivative objectives focus on more details, that is, what is to be accomplished, where action is to be take place, who is to perform it, how it is to be undertaken, and when it is to be accomplished.

Planning Process

- **Collection of information and forecasting:** sufficient information must be collected in order to make the plans and sub plans. necessary information includes the critical assessment of the current status of the organisation together with a forward look at the environment that is anticipated. despite of external environment may consider the strong and weak point of the organisation. The collection of information and making forecasts serve as an important basis of planning.

Planning Process

- **Development of planning premises:** This step involves making assumptions concerning the behaviour of internal and external factors mentioned in the second step. It is essential to identify the assumptions on which the plans to be based. Assumptions denote the expected environment in the future and are known as planning premises. Forecasting is important in premising. it helps in making realistic assumptions about sales, costs, prices, and products, technological developments, etc. in the future.

Planning Process

- **Search of alternative:** there are several alternative for any plan. The plan or must try to find out all the possible alternative. Without resorting to search a search, he is likely to be guided by his limited imagination.
- **Evaluation of alternatives:** once the alternative action plans have been determined, they must be evaluated with reference to considerations like cost, long range objectives, limited resources, expected payback, risk, and many intangible factors to select the satisfactory course of action. The best possible alternative may be chosen by the manager after detailed analysis.

Planning Process

- **Selection of plan and development of derivative plans:** the final step in the planning process is to select the most feasible plan and develop derivative plans. The plans must also include the feedback mechanism. hierarchy of plans must be both integrated and flexible to meet the changing internal and external environment.

Approaches to Setting Goals

- **Traditional Goal Setting**: an approach to setting goals in which top manager set goal that then followed down through the organization and become sub goals for each organizational area. **For example**. the president tells the vice president of production what he expects manufacturing costs to be for the coming year and tells the marketing Vice-President what level he expects sales to reach for this year. these goals are caused to the next organizational level and written to reflect their responsibilities of that level, passed to the next level, and so forth. Then, at some later time, performance is evaluated to determine whether the assigned goals have been achieved.

Management by Objectives

- Management by Objectives (MBO), is a process of setting mutually agreed upon goals and using those goals to evaluate employee performance. Companies such as Adobe, GE and Microsoft have replaced traditional performance ratings with MBO programs.
- Adobe refers to its MBO program as Check In. Each year, employees and managers meet to establish goals. Then at least every two months employees check in with their managers to discuss its progress. At the end of year, managers meet for a “rewards check-in” session where they discuss how well employees attain their goals, and pay increases and bonuses are awarded based on their goal attainment.

Management by Objectives

- MBO programs have 4 elements: goal specificity, participatory decision making, and explicit time period, and performance feedback. instead of using goal to make sure your employees are doing what they are supposed to be doing, MBO uses goals to motivate them as well. The appeal is that it focuses on employees working to accomplish goals they have had a hand in setting. Studies have shown that MBO can increase employee performance and organizational productivity.

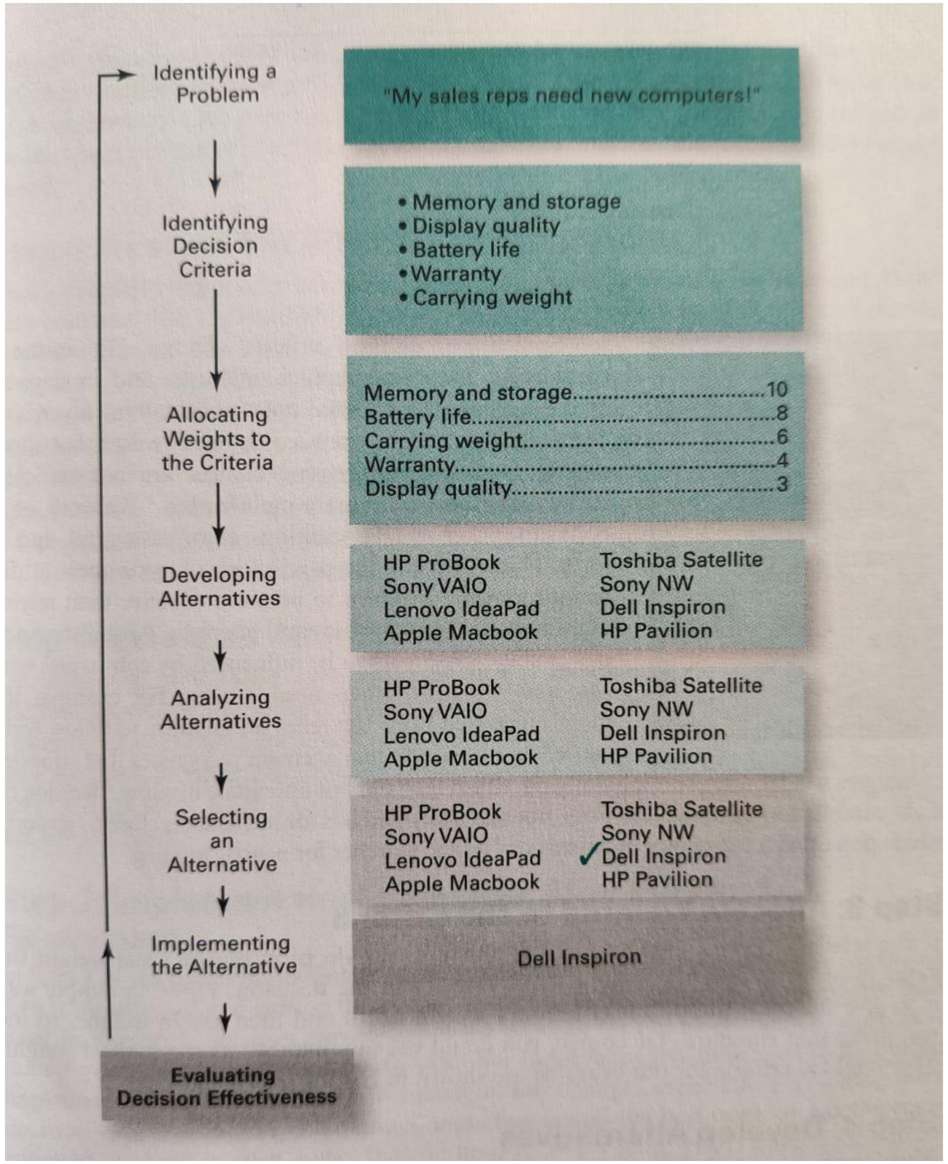
Decision Making

- Managers at all levels and in all areas of organization make decisions. That is, they make choices. For instance, top level managers make decisions about their organization's goals, where to locate manufacturing facility is, or what new markets to move into. middle and lower level managers make decisions about production schedules, product quality problems, pay raises, and employee discipline.
- **Decision**: choice among two or more alternatives

Decision Making Process

- Step 1: Identify a problem
- Step 2: Identify decision criteria
- Step 3: Allocate weights to the criteria
- Step 4: Develop alternatives
- Step 5: Analyze the alternatives
- Step 6: Select an alternative
- Step 7: Implement the alternative
- Step 8: After poor implementation

Decision Making Process



Decision Making Process

Step 1: Identify a problem

- problem: an obstacle that makes it difficult to achieve a desired goal or purpose.
- Every decision starts with the problem, discrepancy between an existing and a desired condition. diagnosing the real problem implies knowing the gap between what is and what is expected to happen, identifying the reason for the gap and understanding the problem in relation to the objectives of the organisation.

Decision Making Process

- Let's work through an example. Consumer markets in the developing world present an enormous and the untapped opportunity for companies to see new sources of growth. **The challenges-** market development, product designs logistics, communication-- discourage many companies from even considering rural markets in developing countries. But some companies recognize the rural opportunity. What was once a problem now turns into an opportunity to be tapped. Particularly in Asia, Unilever has pioneered a number of innovations that has exported to other regions in its focus on addressing rural opportunities. With its Shakti initiative commerce Hindustan Unilever limited training local women as rural sales agents who sell Unilever products do to door in their communities.

Decision Making Process

- In addition, a manager who resolves the wrong problem perfectly is likely to perform just as early as a manager who doesn't even recognize a problem and does nothing. Diagnosing the real problem is very important.

Decision Making Process

Step 2: Identify decision criteria

Once manager has identified a problem, he or she must identify the decision criteria important or relevant to resolving the problem. Every decision maker has criteria guiding his or her decision even if they are not explicitly stated.

For example in the project Shakti of HUL, considering the demographics, interests, and preferences of consumers were essential criteria in making advertising decisions.

Decision Making Process

Step 3: Allocate weights to the criteria

- Allocate weights to the criteria: if the relevant criteria and equally important, the decision-making must weight the items in order to give them the correct priority in the decision.

Decision Making Process

Step 4: Develop Alternatives

- the fourth step in the decision-making process requires the decision maker to list viable alternative that could resolve the problem. In this step, a decision maker needs to be creative, and the alternatives are only listed-- not evaluated just yet. in order to develop alternative, 1st exercise cognitive flexibility. The number of forces acting upon a given situation is so large and varied that it is better to follow the principle of **limiting factor**. In other words, management should limit itself to the discovery of those key factors which are critical or strategic to the decision involved. for example, while planning for expansion of the enterprise, availability of finance or the trained staff during a short span of time might be the limiting factor.

Decision Making Process

Step 5: Analyze the Alternative

- After the alternative are discovered, the next step is to analyse and compare their relative importance. such analysis calls for listing the pros and cons of different alternative in relation to each other. In our example of project Shakti, the project was initially kick started as a pilot project. HUL's chairman and board remained heavily involved during the 15-month pilot stage. Managers presented monthly progress reports to the board during this phase and HUL's supply chain levels were also expected to provide support upon the request of the pilot program manager. After the pilot phase, 6 projects- including what became known as 'project Shakti' - were identified by the board as potentially viable scalable and worth of further the investment. For the next three years, 6 managers, or venture leaders, appointed to oversee a given project continue to be present to HUL's board once every three months.

Decision Making Process

Step 6: Select an alternative

- The sixth step in the decision-making process is choosing the best alternative for the one that generated the highest total in step 5. In or example of project Shakti, drawing on a standardized set of 3 to 6 months performance benchmarks the board was able to assess each project and determine its viability while also quickly shelving projects that were not scalable. Only two out of six ideas made it to the market one was for PureIt, water purifier; the other was project Shakti.

Decision Making Process

Step 7 Implement the alternative

- Once the decision is made it is to be implemented this calls for laying down derivative plans and the communication to all those responsible for initiating actions on them. Evidently, the decision maker needs to take into account such variables as believes, attitudes, values, etc. of people in the organisation. another thing managers may need to do during implementation is re assess the environment for any changes, especially if it's a long term decision.

Decision Making Process

- In project Shakti, HUL print thousands of women in villages across India to develop an entrepreneurial mindset and make them financially independent and empowered. trained on basic tenets of distribution management and familiarise ation with company's products, these women entrepreneurs are called Shakti Amma's. HUL has a team of rural sales promoters who coach and help Shakti Ammas in in managing their business. This includes help in business basics and troubleshooting as enable them to run their business effectively.

Decision Making Process

Step 8: After poorly implemented

- The last step in the decision making process involves evaluating the outcome or result of decision to see whether the problem was resolved. If the evaluation shows that the problem still exists, then the manager needs to assess what went wrong. Was the problem incorrectly defined? Errors made when evaluating alternative? was the right alternative selected but poorly implemented?

Approaches to Decision Making

RATIONALITY

- Rationality describes choices that are logical and consistent and maximize value.
- We assume that managers will use rational decision making; that is, they'll make logical and consistent choices to maximize value.

Approaches to Decision Making

Assumptions of Rationality

- A rational decision maker would be fully objective and logical. the problem faced would be clear and unambiguous, and the decision maker would have a clear and specific goal and know all possible alternatives and consequences. maximizes the likelihood of achieving that goal. These assumptions apply to any decision - personal or managerial. However, for managerial decision making, we need to add one additional assumptions - decisions are made in the best interests of the organization. These assumptions of rationality are not very realistic and managers don't always act rationally.

Approaches to Decision Making

BOUNDED RATIONALITY

- Bounded rationality: decision making that is rational, but limited (bounded closed)individual's ability to process information.

- Satisfice: accept solutions that "good enough"

Approaches to Decision Making

- A more realistic approach to describing how managers make decisions is the concept of Bounded Rationality, which says that managers make decisions rationally, but are limited (bounded closed) by their ability to process information. because they can't possibly analyses all information on all alternative, managers **satisfice**, rather than **maximize**. That is, they accept solutions that are "good enough". they are being rational within the limits (bounds) of their ability to process information.

Approaches to Decision Making

- **Example**, suppose you are a finance major and upon graduation you want a job, preferably as a personal financial planner with a minimum salary of 10 lacs and within 50 kilometers of your hometown. job offer as a business credit analyst -- not exactly a personal financial planner but still in the finance field -- at a bank 25 kilometers from your home at a starting salary of 9 lacs. If you had done a more comprehensive job search, you would have discovered a job in personal financial planning at a trust company only at 30 kms from your hometown and a starting salary of 10.5 lacs . you were not a perfectly rational decision maker because you did not maximize your decision by searching all possible alternatives and then choosing the best. But because the first job of a was satisfactory or good enough, you behave in a bounded rationality manner by accepting it.

TYPES OF DECISIONS

- **Structured Problems**
- **Programmed Decisions**
    - **Procedure**
    - **Rule**
    - **Policy**
- **Unstructured problems**
- **Non programmed decisions**

TYPES OF DECISIONS

Structured Problems

- Straightforward familiar, and easily define problems**.**
- Some problems are straight forward, the decision makers goal is clear, the problem is familiar, and information about the problem is easily defined and complete, such situations are called structured problems.
- For example when a customer returns a purchased product to a store, when a supply is late with an important territory or a college's handling of a student wanting to drop a class.

TYPES OF DECISIONS

Programmed Decisions

- A programmed decision is a repetitive decision that can be handled by a routine approach, because the problem is structured the manager doesn't have to go to the trouble and expense of going through an involved decision process. the “develop the alternative” stage of the decision-making process either doesn't exist or is given little attention in this decision because once the structured problem is defined the solution is usually self-evident or at least reduced to a few alternative that are familiar and have proved successful in the past.

TYPES OF DECISIONS

- Three types of programmed decisions: Procedure, Rule, or Policy
- A **Procedure** is a series of sequential steps a manager uses to respond to a structured problem. The only difficulty is identifying the problem. For instance, a purchasing manager receives a request from a warehouse manager for 15 tablets for the inventory clerks. The purchasing manager knows how to make this rule by following the established purchasing procedure.

TYPES OF DECISIONS

- A **Rule** is an explicit statement that tells a manager what can or cannot be done. Rules are frequently used because they are simple to follow and ensure consistency. For example, rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and fairly.

TYPES OF DECISIONS

- A **Policy** is a guideline for making a decision. in contrast to a rule, a policy establishes general parameters for the decision maker rather than specifically stating what should or should not be done. policies typically contain unambiguous term that leaves interpretation up to the decision maker.
- Some sample policy statements:
- The customer always comes first and should always be *satisfied*.
- Employee wage shall be *competitive* within community standards.
- The terms satisfied, and competitive require interpretation in this cases.

TYPES OF DECISIONS

- **Unstructured problems**: problems that are new or unusual and for which information is ambiguous or incomplete.
- **Non programmed decisions**: unique and non-recurring decisions that require a custom made solution.

- Lower level managers mostly rely on programmed decisions (procedures, rules, and policies) because they confront familiar and repetitive problems. As managers move up the organisational hierarchy, the problems they confront become more unstructured.

TYPES OF DECISIONS

Characteristic	Programmed Decisions	Nonprogrammed Decisions
Type of problem	Structured	Unstructured
Managerial level	Lower levels	Upper levels
Frequency	Repetitive, routine	New, unusual
Information	Readily available	Ambiguous or incomplete
Goals	Clear, specific	Vague
Time frame for solution	Short	Relatively long
Solution relies on...	Procedures, rules, policies	Judgment and creativity