Planning and Decision Making

Definitions of planning –

M.E. Hurley-‘Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes form among alternatives.

Koontz and O’Donnell- ‘Planning is an intellectual process, the conscious determination of course of action, the basis of decisions on purpose, facts and considered estimates.’

Alford and Betty- ‘Planning is the thinking process, the organized foresight, the vision based on fact and experience that is required for intelligent action’

Hodge and Johnson- ‘Planning is the determination in advance of a line of action in order to achieve better performance.’

Characteristics of Planning / Nature

1. Primary Function of Management- Planning is the primary function of management. It is the very essence of management and the starting point of the whole management process. Without planning, there will be nothing to organize, direct, coordinate and control.
2. Intellectual process- Planning requires imagination, foresight, intelligence, thinking, ability of analysis and judgment. Therefore planning is said as intellectual process,
3. Objective oriented- planning is closely associated with the objectives of a business unit. Planning process begins with clearly lying down the objectives. It is based on the objectives and the general policies of the business organisation.
4. Continuous activity / function- The socio-economic environment under which business units have to operate is flexible. Business plans need continuous revision, modification and adjustment in the light of the circumstances prevailing at the time of execution.
5. Link between past, present, and future- Planning is for the future period but is based on the past experience. Management has to consider the present business environment and problems before the business enterprise while preparing future plans.

6. Integrated activity- Business planning covers all aspects of business activity. All departments and activities are brought closer due to planning which provides common objectives and one common direction to the whole organisation.
7. Future oriented- Planning is concerned with the future activity. It is the process of looking ahead. Planning is for the future period but on the back drop of the past. It considers the possible future problems and finds out the ways and means to deal with them.
8. Directed towards efficiency- Planning helps to achieve objectives efficiently. The efficiency of plans is measured by how much they contribute to the objectives. Planning is an ongoing process.
9. Action oriented- Planning is action oriented. An ideal requirement of the planning is that it should be actionable. A plan should not be over ambitious or impractical. It should be capable of implementation.
10. All Pervasive activity- Planning function carried on by the managers working at all levels of management. Top management is concerned with the long range strategic planning, lower level concerned with the operational short range planning. Thus planning prevails throughout the enterprise.
11. Essentially a decision making process- Planning involves careful analysis of various alternative courses of action and choosing the best. While selecting the objectives the planner has to select the best objectives form among the several objectives. So planning essentially a decision making process.
12. Relation with control-Planning and control are inseparable. Planning which is looking ahead and control which is looking back are inseparable. Planning without control is a fruitless exercise and control without planning is impossible.

Importance of Planning / Merits

1. Quick achievement of objectives- The problem of business organisation are studied and remedial measures are adopted through the technique of planning. This facilitates quick achievement of business objectives.
2. Bring unity of purpose and direction-Planning bring unity of purpose and direction before the organisation as it is for achieving certain well –defined objectives. It directs all resources and efforts in one direction for achieving the objectives decided.
3. Ensures full utilization of resources- Planning ensures effective/maximum utilization of available human and material resources. It eliminates wastages of all kinds and this facilitates full utilization of available resources.
4. Avoids inconsistency in efforts.- Planning avoids inconsistency in efforts and duplication. It ensures economy in business operations.
5. Raises competitive potentialities- Planning enables a business units to stand with confidence in a competitive market. Planning involves forecasting and making provisions for all possible situations. It keeps ready solutions for possible problems and difficulties and enables business units to function with confidence.
6. Improves managerial efficiency- Planning improves managerial efficiency as it covers all managerial functions and helps management to executive future programmes in a systematic manner. It makes managerial direction effective.
7. Avoids hasty decisions- Planning avoids hasty decisions and haphazard actions by managers. Planning facilitates effective delegation of authority, removes communication gaps and thereby raises overall efficiency.
8. Insurance against uncertainties- Planning takes care of all business uncertainties. In fact, future problems and situation are studied in advance and alternative solutions are kept ready. Thus planning minimizes the business risk of an organisation.
9. Improves motivation- involvement of managers for determination of goals, policies, programmes, schedules and target of the organisation improves the morale and motivation of human resources.
10. Facilitates coordination- Planning defines objectives, frames the policies, formulates programmes and procedures and through all these means coordination of the ativities become easier

Principles of Good Planning

1. Well defined objective- Planning is made to attain a objective. Objective must be clear and to the point. If the objective is well defined and clear, planning can be made from the view point of achieving the objective.
2. Simple- Planning must be simple and easy to understand by the workers. Simple planning helps to executive it successfully.
3. Comprehensive- the planning should cover all actions directed towards the goal. It should be comprehensive.
4. Flexible- planning is related to future. Future cannot be anticipated accurately. Future conditions are dynamic. To adjust with changes planning should be flexible.
5. Balanced- plan should be well balanced. There should be proper balance in utilization of resources and long term and short term results as short term results affect the long term results.
6. Economical- planning should not be costly as compared to the advantages gained from it.
7. Management participation- a good planning ensures participation of all managers. While preparing plans, heads of all departments and sections should be consulted.
8. Practicable- a plan must be capable of being put into practice. It should not remain on paper only.
9. Free form ambiguity- a plan should be free from ambiguity and it must be clear.
10. Free from bias- a planning should be free from social psychological bases of planners as well as subordinates. Planners may think only of the formal economical, physical resources side when they develop a plan.

Limitations of Planning

1. Time consuming and costly- planning process involves collection of data, forecast, research and analysis. As a result, planning is a time consuming and costly activity.
2. Changes in the situation make planning ineffective-Business environment changes frequently and plans are required to be adjusted. However they are costly and sometimes ineffective.

3. Difficulty in securing accurate information- Planning needs data. The quality of planning depends on such accurate information. If the information supplied is incomplete, the planning will be adversely affected.
4. Generates frustration- at the lower levels, plans are imposed. No consideration is given to their difficulties, views and opinions. This leads to frustration among employees at lower levels.
5. Opposition from employees- employees oppose planning as it leads to structural changes in the organisation, which are not appreciated in the right spirit by the employees.
6. Delays actions- planning is not useful when quick decisions and actions are required to be taken in order to face business situations.
7. Unsuitable to small firms-planning is costly and time consuming. So it is suitable to small firms.
8. Limited practical value- planning takes long time for preparation and the situations changes when such plans are ready for execution.
9. No guarantee of expected results- Planning is for achieving objectives. However there is no guarantee that the objectives will be achieved within the specific time limit. The planning leads to probable results and not the expected results.

Steps in Planning

1. Determination of organizational goals
2. Establishment of planning premises
3. Identification of alternative course of action
4. Evaluation and selection of a course of action
5. Formulation of supporting plans
6. Putting plans into action
7. Follow up

1. Determination of organizational goal- the first step in planning is to establish objectives for the business organisation. Planning is always for achieving certain well defined

objectives and naturally objectives must be spelt out precisely. Objectives act as pillars of the entire planning process. They give specific direction to the planning process.

2. Establishment of planning premises-Planning premises are various assumptions and predictions about the future business situations. They provide a framework for planning process and basis for action in the midst of uncertainties in the business environment. Planning premises act as a background for planning activities.
3. Identification of alternative course of action- A particular objective can be achieved through alternative action. A manager has to search for alternative course of action to achieve goals. e.g. if a multinational corporation has set its objective to grow further by stepping into Indian market may establish its production canters or take over the another existing business in the same line or join hands with other Indian Company.
4. Evaluation and selection of a course of action-after having identified the alternative course of action, the next step is to evaluate the alternative taking into consideration their favourable and unfavourable factors in the light of premises and goals. In this step the comparative study of various alternatives is made.
5. Formulation of supporting plans- after formulating the basic plan the middle and lower level managers draw up the plans for their sections. They are called derivative plans or supporting plans. While developing these supportive plans the middle and lower level managers follows the planning process.
6. Putting plans into actions- once plans have been developed at various levels of activities they are ready to be put into action. Managers at various levels commence the further activities for the execution of those plans.
7. Follow up- in this step the managers evaluate the progress of the work done in the light of plans. So that they can take remedial action if actual work is not going as per planning. Future plans when framed are formulated in the light of the experience so gained.

Strategic Planning

A strategy can be defined as a plan based on the anticipated moves of the opponent.

The term strategic planning has been defined by Robert Anthony as

‘ Strategic planning is the process of deciding on objective of the organisation, on changes in these objectives ,on the resources used to attain these objectives and on the policies that are to govern the acquisition, use of disposition of these resources.’

The strategic planning may covers the period 3 to 5 years and extends to all the functional areas, viz. production, marketing, finance and personnel.

The strategic planning may aim at planned growth rate in sales, diversification of business etc.

Operational Planning- it is also known as tactical / short- term planning. It covers period up to one year. It deals with the production and marketing of current products and services of the company.

Definition-

‘Operational planning is the process of deciding the most effective use of the resources already allocated and develop a control mechanism to assure effective implementation of the actins so that organizational objectives are achieved’.

Usually lower level management prepares operational planning. Such plan is more specific. They determine how a specific job is to be completed in the best possible way. Operational planning can be divided according to production, marketing finance and personnel.

Decision Making

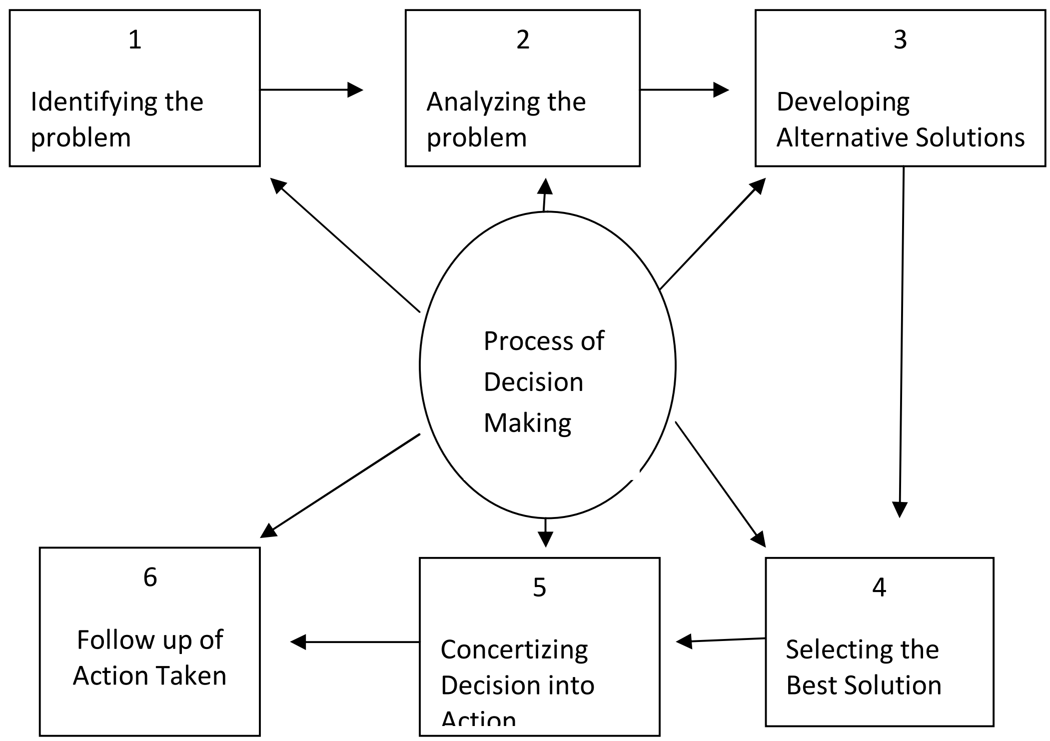
Definitions of Decision Making-

1. Tresatha and Newport- “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”.
2. Ray A. Killian- “A decision in its simplest form is a selection of alternatives”.

Features of Decision Making-

1. Mental Process- Decision making is an intellectual activity where in a decision is taken after studying various alternatives.
2. It involves selection- Decision making involves selecting an alternative from various alternatives. Process of elimination is adopted where by those alternatives which are not to be selected are eliminated and the best option is selected.
3. Generates action- it leads to action on the part of the organisation.
4. Bases- It is generally based on the practices, policies, conventions, procedures and plans of the organisation.
5. Individual or collective- Decision making can be individual or collective. Individual decision can be quick while collective decision is likely to be more balanced.
6. Commitment- Once a decision is taken it becomes binding on the managers. He is committed to implement that decision.
7. Goal –Oriented- Like any other management process, decision making is goal oriented or directed. A manager wants to achieve some results through decision making.

Decision Making Process / Steps



Decision Making Process

1. Identifying the Problem- It is rightly said that a problem well defined is a problem half solved. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. While diagnosing the real problem the manager should consider causes and find out whether they are controllable or uncontrollable.
2. Analyzing the Problem- In this stage the analysis of the problem in depth is made. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Here, the following four factors should be kept in mind.
    1. Futurity of the decision
    2. The scope and its impact
    3. Number of qualitative considerations involved

4. Uniqueness of the decision.

3. Developing alternative solutions- After analyzing the problem, the next step is to obtain the relevant data about it. All available information should be utilized for analysis of the problem. The manager has to determine available alternative course of action that could be used to solve the problem in hand. If necessary group participation techniques may be used while developing alternative solutions.
4. Selecting the best solutions- in this step an alternative that seems to be most rational for solving the problem is selected. The alternative thus selected must be communicated to those who are likely to be affected by it. Acceptance of the decisions by group members is always desirable and useful for its effective implementation.
5. Converting decision into action-In this step the selected decision is converted into an effective action. Without such action, the decision will remain merely a declaration fo good intentions. The subordinates should be taken in confidence and they should be convinced about the correctness of the solution. Thereafter the manager has to see that suitable actions are taken to execute the decision taken.
6. Ensuring feedback for follow up- the arrangement to ensure feedback for continuously testing actual developments against the expectations is made. This is necessary in order to decide whether the decisions already taken should be continued or be modified in the light of changed conditions.

Human Element in Decision Making-

The human factor plays an important role in decision making. It influences the decisions to a large extent. Following are the main human element or factors which affect the decision making process.

1. Information Available-Adequate and accurate information is essential for decision making. The information available to the individual manpower decides the quality and effectiveness of the decision.

2. Personal value- the character, beliefs, emotions and way of thinking of a person who takes decision has importance. His personal values influence his reactions and responses to any situation.
3. Bias and prejudice- if a person has a bias about a particular thing or person, his decision will be of poor quality. The information gets distorted with ones pre-established beliefs and views.
4. Understanding of a problem- the understanding of a problem differs from person to person. The solution to a given problem depends on person's perception. If he is a broad minded person, he would perceive or understand the problem fully and accordingly take decision.
5. Attitudes about Risk and uncertainty- The attitudes about risk and uncertainty of a decision maker affects the success of a decision. Generally conservative people are low risk takers, while progressive people are prepared to take risk.
6. Organizational position A person occupying a higher position can have lit of consultation and involvement of various people in decision making process. On the other hand, a person working at a lower level of the organizational structure has to depend on his own judgment for taking decisions.
7. Time constraints- some managers can make fast decisions while some are very slow decision- makers. Pressure to make decisions on time increase the complexity and affects the decisions making.
8. Cultural and social Background- in most of the cases, the social norm is the standard and accepted way of making judgments. The cultural background have a great impact on the decision making style of an individual.

Decision Making Techniques

A. Modern Techniques of programmed Techniques	**B. Modern Techniques of Non-programmed Techniques**
1.Probability Theory	**1.Brainstorminng**
2.Game Theory	**2.Gorden Technique**
3.queueing theory	**3.Attribute listing**

4.Linear Programming	**4.Catalogue Technique**
5.Simulation	
6.Decision Tree	
7.Network Technique	

A. Modern Techniques of Programmed Decision Making-

A modern technique of programmed decision making makes use of mathematical and scientific models of decision making. They are useful for making decision in complex situations.

1. Probability theory- this theory predicts that certain things would happen and certain wont. The prediction is done based on the past experience. On the basis of past experience certain trends can be predicted and decisions can be taken accordingly.
2. Game theory- here a problem is given to various teams. Each team is told to devise strategies, techniques, programmes etc. in order to solve the given problem. The objective is to win the game by giving the best solution with given constraint. The problem may be an actual one or a hypothetical one.
3. Queuing / Waiting line theory- the decision makers of the service providers have to solve the problem of time taken to provide the service. One way is to open additional counters or deploy more persons to perform the service. However, this involves cost but if they don't deploy additional staff the consumers in queue may go to competitor. So the ultimate goal is to balance the cost involved and the risk of losing the customer. Such situations are common while booking a ticket in a bank etc.
4. Linear Programming- linear programming helps in solving the problem of allocating limited resources which have alternative uses. These resources have to be allocated in such a manner that the objectives of the organisation are achieved.
5. Simulation-here an atmosphere is created which is likely to be similar to the actual situation which they are likely to face in future. This is often used for training astronauts. It is also used for orienting budding managers where similar type of situations is created which they likely to face in future and they are told to take a decision.
6. Decision tree- decision tree provides for all the positive and negative effects of the various options which the decision makers has. However cumulative impact of a decision

on various aspects may not be easy to calculate as it seems to be. And each decision would involve different cost, time, technology, training etc. so practically it becomes difficulty to analyse all effects due to multiple effects.

7. Network techniques- network is an arrangement of intersecting horizontal and vertical line, like the structure of a net. It s a complex system of connection of different routes. CPM and PERT are the most common network analysis methods used to evaluate the project.

B. **Modern Techniques of Non-programmed Techniques-**

1. Brain storming- this technique was developed by Alex Oshorn with an objective of stimulating creative thinking. Everyday in the group is motivated to give input or share their thoughts. More and more number of ideas is encouraged. Here it is possible that one's idea might encourage others. In the end the best ideas are deliberated and selected.
2. Gorden techniques- in this technique a broad outline of the problem is given for discussion rather than the problem itself. The objective is to develop broad solutions to the problem rather than developing specific and narrow solutions confined to the problem.
3. Attribute listing- here attributes or characteristics of a suggestion are listed. Discussion takes place on each and every attribute in detail and whatever improvement suggested may be incorporated.
4. Catalogue technique- under this technique new ideas are developed by randomly selecting words or concepts, registering them into a catalogue and then trying to correlate them and developing a new concept in a particular area.