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Subject

Businss Management-I

Chapter 2

UNDERSTANDING MANAGEMENT: PLANNING AND DECISION MAKING

Chapter 2nd
UNDERSTANDING MANAGEMENT
PLANNING AND DECISION MAKING

PLANNING

Meaning:

Planning means thinking about what is to be done in the future in the present. Also, to achieve the pre-planning objectives of the business, one has to choose the right option from among many options. The program which is prepared for this is called 'planning'.

A business manager has to plan many aspects of the business like production, purchasing, selling, advertising, employee recruitment, training transfer, promotion etc. Planning is a very comprehensive process and is essential in every field.

According to Prof. Robinson, Hence the act of fulfilling unlimited wants with limited means is called 'Planning'.

The planning process includes the following:
(1) What work is to be done?
(2) When to be completed?
(3) Who is to complete the work?
(4) Where to be completed?
(5) In what manner is the work to be done?

Definition of Planning

1. “The process of deciding in advance how to do a task is called planning. - M. F. Hurley
2. “Planning is planning in advance what is to be done in the future.” -W. H. Newman

NATURE OF PLANNING

1. Objective Planning:

Each element of planning must actively contribute to the achievement of industry goals. Planning without a goal will not work. Making a profit is not always the goal of a business. Some businesses also give more importance to social work than profit. Therefore business objectives should be related to planning.

2. Coordination:

Planning involves questions of various forms such as what, where, how, when, how much etc. All these questions require planned coordination.

3. Flexible Process:

Although planning is a necessary process in business, it is meaningless if it is static. So it should be possible to change it according to the situation. That is, the process should be flexible in nature.

4. Vision of the future and control over the present:

Planning involves predicting the future situation and controlling the present situation.

5. Continuous Process:

Planning is an ongoing process. Planning a product in business does not mean that the matter is over, but planning involves continuous collection, analysis and evaluation of information. Also the previous planning has to be changed.

6. Intellectual Process:

Planning is an intellectual process. It operates on the intellectual level of the manager. In every business there is a difference in the intellectual level of different managers. Hence, there is a difference and uniqueness in planning.

FORMS/LEVELS OF PLANNING

1. Joint or Collective Planning:

Collective planning is done by top management. It involves planning for business. This planning is done keeping in mind the problems of the future. A reflection of the planning of all departments and work is joint or community planning. The strategy, objectives, policies etc. of the organization are given information in this planning.

2. Departmental planning

Planning is done in every department so that the work of the business organization runs smoothly. Each department has a head and he is planning them.

3. Account wise or department wise planning:

Departmental planning is broader than account wise planning. If a business has four different types of products, sugar, textiles, drugs, chemicals; every production planning has a departmental planning but in the production of sugar many accounts or departments are created; It is called 'departmental planning'. This is also considered medium level planning.

4. Planning of specific sections:

This is the last step in the planning level. This planning is done at junior level. Many subdivisions are made while manufacturing the product. The head of that department is the foreman or supervisor. He gets the work done by the workers and plans to accomplish the objectives. So planning is very important at all levels.

TYPES OF PLANNING

1. Short-term and Long-term Planning:

According to the period of planning, there are two main types of planning short term and long term planning. When planning is done for a short period of time is called 'short term plans’. The duration of this planning can be up to one year. When planning is done for a long period of time it is called 'long term planning'. Long term planning period is done for one year to five years.

2. Financial and Non-financial Planning:

Independent planning of financial matters is called 'Financial Planning'. In financial planning, the questions of how much capital will be required, how and where it can be obtained, and when the capital will be required are considered. Also, own capital and debt capital of the business organization are also considered. Non-financial planning considers all the physical resources in the organization. In this planning, all aspects other than capital are considered.

3. Administrative and Executive Planning:

In administrative planning, the administrative aspects of the business are considered with a long-term view in mind. This planning is useful for achieving short term and long term goals of the business. Executive planning is different from administrative planning. In executive planning, planning is done with respect to a specific task.

4. Formal and Informal Planning:

When the planning of an entity is discussed and given a written form i.e. all the information related to the planning is written down, it is called 'formal planning'. Informal planning is planning by talking about an event orally, but not in writing; Such planning is called 'informal planning'.

5. Profit Planning:

The main objective of every business is to make profit. In fact, every business organization strives to maximize profits. The efforts made for this are called profit or gain planning.

6. Overall and functional planning:

The planning done to achieve the objectives of the business is called **overall** planning. In this planning the resources available in the organization are considered. All aspects of the organization are considered. Preparation of master budget is part of overall planning. Planning designed for a specific task is called 'functional planning'. For example, production, marketing, financing etc.

7. Temporary and Permanent Planning:

Planning done for a specific project is called 'ad hoc planning'. Planning which is done keeping in mind the nature of the business is called 'Permanent Planning'. Planning of organizational structure, procedures are done in permanent planning.

STEPS IN PLANNING PROCESS

1. Determination of Objectives:

An important function of planning is to set objectives. Planning actually starts with setting goals. What to do after setting the goal? Where to do it? Who would do it? It is decided. Objectives of departments and sub-divisions are determined along with the objectives of the business.

2. Forecasting:

Forecasting means predicting future conditions. Planning without forecasting is like a bird flying in the air without wings. Social, economic, political and international factors have to be considered while forecasting. Planning depends on forecasting and the success of planning depends on the accuracy of forecasting.

3. Collection of data:

A manager needs to collect data for planning. These statistics are obtained on the basis of documents, experiments, observations, tests etc. The success of planning depends on statistics.

4. Analyzing the information:

Information collected from statistics and that information has to be analyzed. The information received has to be verified. Also it has to be classified. It is classified into two types: internal information and external information. Internal information includes purchasing, sales, production departments and external information includes government publications, trade associations, boards of commerce.

5. Checking Various Options:

There are many options for achieving business goals. It is necessary to select a suitable option from among these many options. For example, if the objective of the business is to increase the salary of the employees, they have many options. Choosing the right option from various options like production cost saving, cost control, promotion control.

6. Selection of the best option:

After checking various options one has to choose the best option. The choice of option depends on the organization's objective, structure, available capital. Various options have to be explored and evaluated. Sometimes there are multiple options; Choosing the right option is very difficult.

7. Preparation of support plan:

Sometimes an auxiliary plan has to be chosen to make the original plan successful. E.g. If the production of the business is expected to be 90,000 tons per day, then the business needs to have good equipment repair, storage, transportation etc.

8. Preparation of Schedule:

Achieving business goals requires a schedule. Timetable plays a very important role in planning. A schedule has to be prepared according to the priority of the work. So you can decide how much time your work will take and when the work will be completed from this schedule.

9. Follow up:

Achieving business goals requires continuous pursuit of those goals. It operates in three stages, planning, responding and controlling, from the start of the work to its completion.

ADVANTAGES OF PLANNING

1. Accomplishment of Objectives:

Planning is done keeping in mind the objectives of the business. Future problems are also considered while planning. Various options are considered to solve these problems. Planning helps in streamlining the various departments of the business. It helps to achieve alternative goals.

2. Discretionary Action:

The best course of action is decided by considering future problems while planning. Also, due to planning, decisions are taken after thorough analysis of various problems. Since planning is a conceptual and intellectual process, it definitely benefits the business.

3.. Coordination in departmental work :

Since there are many departments in a business, it is necessary to coordinate them. For example, there are departments such as purchasing, sales, marketing, advertising, finance, office etc. Coordination between them requires planning.

4. Development and Improvement

Planning determines the functioning of each department and sub-department. Also care is taken that no department has to do unnecessary work. Therefore, each department can be developed and department wise improvements can be made.

5. Saving time, labor and money:

Planning saves time, labor and money by making maximum use of the resources available in the planning and by controlling the movement of workers and avoiding unnecessary movements.

6. Encouragement of new thinking and creative work:

New technology methods can be adopted while planning. Also, the new method saves costs. Good planning acts as a catalyst for innovation.

7. Motivating employees

A task can be done communally because all employees are involved in planning. So every employee can do that job well. Also they exchange ideas. It helps in motivating the employees.

8. Assists in all management functions

Management has many functions. As it helps in all the management functions like organizing, controlling, directing, directing etc.

9. Maximum utilization of resources

The manpower and resources available to them can be utilized to the maximum extent to achieve the business objectives.

LIMITATIONS OF PLANNING

1. Cost of Planning:

Although planning brings many benefits to a business, planning comes at a cost. If the costs of planning outweigh the benefits, then there may be difficulties in planning.

2. Timeliness:

Sometimes a task needs to be done immediately or a decision has to be taken quickly. At that time planning has to be neglected. Alternatively, it has to play the role of procrastinator.

3. Resistance/against to change:

Certain business executives resist changes in planning. The future is better because of changes in business. But senior executives are worried about the present.

4. Uncontrollable and External Factors:

Planning has no effect on uncontrollable and external factors. For example, businesses fail to plan for business downturns, droughts, floods, government policies, emergencies, economic and social changes, etc.

5. Lack of Skilled Staff:

Planning requires skilled personnel. But their volume remains limited in business. Also, there is no intellectual and mental strength in planning persons.

6. Lack of Flexibility:

Planning has a very important place in management. While planning, many things are planned after thorough study. So it is specially designed. Alternative planning lacks flexibility.

7. Boring Process:

Due to planning, their work is carried out within a specific framework. So that work is boring to the employees.

8. Misinformation:

Planning is based on collecting data, analyzing it. If wrong information is obtained in it, planning is not done well.

FORECASTING

Meaning:

Individuals and business organizations try to predict the future so that they can overcome the future crisis. Every person has a basic tendency to predict the future. For example, a business manager starts saving in the present by predicting future expenses. Savings are made by predicting future capital, raw materials, advertising, communication, tools, property purchase etc. required for the business. In short, forecasting is the prediction of future events based on past events in the present as future events are uncertain.

Forecasting - Definition:

1. "Foresight is measuring future events and taking steps towards them." - Henri Fayol
2. "Forecasting is the evaluation of future course of action of business." - Kimball & Kimball
3. "Forecasting is a statistical analysis that predicts future events based on current and past events for a specific period of time." - Netter and washerman

NEED OF FORECASTING

The forecast requirement is as follows:

1. Sales Forecast :

Sales are forecasted in the forecast. Forecasting uses all the factors like raw material purchase, production schedule, selling expenses from the sales forecast.

2. Coordination :

Forecasting coordinates the work of various departments and officers; It is called forecast coordination.

3. Basis of Budget

Budgets need to be prepared for the business. This budget requires forecasting. So the budget depends on the forecast.

4. Pillar of Decision:

Many times decisions have to be made in business. One has to think about the future situation before taking a decision. Forecasting enables accurate decision making. Hence forecasting is the basis of decision making.

5. Foundations of Forecasting Planning:

Planning is not possible without forecasting. Hence forecasting acts as a guide to planning.

6. Forecasting reduces future risks:

Forecasting helps in predicting future events and choosing alternative paths. Forecasting enables the manager to control future hazards and risks.

7. Basis of Control:

Forecasting makes it possible to control all aspects of a business. Hence forecasting is called the basis of control.

8. Accomplishment of Objectives

Achieving business goals requires forecasting. Planning is necessary in the organization to achieve that goal.

FORECASTING TECHNIQUES

1. Statistical Techniques:

In statistical techniques, predictions are made using statistical methods. Statistical techniques are used to establish the correlation or average between two numbers.

2. Scheduling Techniques:

The method of analyzing historical events by classifying them into different sections is called 'chronological analysis'. For example, trends such as seasonal changes, cyclical fluctuations, sudden changes etc. are diagnosed simultaneously. Future forecasting is done on the basis of scheduling techniques. The manager prepares the schedule using this method. But for this analysis, long-term information and statistics must be available.

3. Historical Similarity Technique:

This method is based on the principle that history repeats itself. This means that events that happened in the past will happen again in the future.

4. Survey Techniques:

To survey means to inspect the situation for something. In general, when introducing a new product in the market, one has to study the new market and the area to estimate the demand. Also, one has to know the interests of the customers by interviewing them.

5. Techniques of Polling:

As a subtype of survey methodology, polling techniques are used. A group of specific individuals is selected for this purpose. Predictions are made taking into account the opinions of that person. For example, this method is used to predict Lok Sabha, Vidhan Sabha, Gram Panchayat elections.

6. Index Technique:

Index method is used to measure different conditions. In general, these techniques are used to draw financial conclusions in this method. Fluctuations in economic development are taken into account. The barometer method is used to measure atmospheric pressure in physics.

LIMITATIONS OF FORECASTING

The forecast limits are as follows:

(1) The success of forecasting depends on the forecaster. So, if the forecaster is not correct, the forecast may be wrong.

(2) As the future is uncertain and business is affected by changes in the business cycle, uncertainty in the future is a limitation of forecasting.

(3) Certain conditions are assumed while forecasting. During the implementation of actual plans in the future, fluctuations in trade, changing social and political conditions may cause the forecast to go wrong. Therefore, changing conditions are a limitation of forecasting.

(4) Forecasting is based on budget. It's not always right.

(5) Forecasts are made to achieve business objectives and planning and control are used to achieve them. Not that it will be implemented.

DECISION MAKING PROCESS

Meaning:

According to R.S. Dawar, the life of a manager is a continuous process. Decision making is a very important concept. Intellectual skills have to be used in making mental decisions in the decision making process. In intellectual skills, managers make appropriate decisions based on their intelligence and experience.

Decision Making Process – Definition:

1. "Decision making is the selection of the right option from among different options." - R. A. Killians
2. "Decision making is the process of making a choice between two or more alternatives on the basis of certain criteria." George Terry
3. "The decision process is the actual selection of a particular option from among the options available to perform a task." - Kuntz and O'Donnell
4. "There are many options available in the market for a product, Choosing the right option out of it is a decision making process." - Dr. Ajinath Doke

TYPES OF DECISION MAKING

1. Major and Minor Decisions:

Decisions that have consequences over many years are called 'major decisions'. These decisions are taken by the top management. For example, purchase of machinery, purchase of building, expansion of sales department, recruitment of workers etc. Decisions that are made to purchase minor things or goods are called 'micro-decisions'. These decisions are taken by the lower management. For example, payment of electricity bills, advertising, transportation, purchase of stationery etc.

2. Subjective and Objective Judgment:

Individual decisions are called 'subjective decisions'. It does not understand the impact of the decision. Subjective decisions are made by only one person. A decision which is made keeping in mind the facts is called 'objective decision'. This decision is taken keeping in mind the facts. In this, the decision is made according to the condition of the item.

3. Financial and Non-Financial Decisions:

In financial decision business requires fixed and current capital. Decisions to purchase fixed and current capital are financial decisions. For example, purchase of goods, purchase of machinery, labor costs, daily expenses etc. Non-economic Decisions Decisions that are taken for the smooth running of business activities are called 'Non-Economic Decisions'. For example, developing discipline in business, decision making, organizing, coordinating etc.

4. Short Term and Long Term Decisions:

Decisions that are taken for a short period of time are called 'short-term decisions'. Eg, purchase of raw materials, purchase of stationery etc. These decisions are taken for at least one year. - Decisions that are taken over a long period of time are called 'long-term decisions'. For example, purchasing machinery is a long-term decision.

5. Day-to-day and Basic Decisions :

Decisions that are taken on the problems that arise on a daily basis are called day-to-day decisions. E.g., home delivery of goods to customers, discounts to customers, delivery of goods according to customer's preferences.

6. Programmed and Unprogrammed Decisions :

Decisions which are of day-to-day nature are defined as 'programmed decisions'. For example, business production, business expenses, purchase of goods. Decisions which are new, different, strategic and unique in all respects are called 'unprogrammed decisions'. Eg, opening of new branch, purchase of land and furniture for business etc. They are not related to routine program decisions. Hence they are called unprogrammed decisions.

7. Collective decision:

When the authority to make a decision rests with a group of people, the decision taken by that group is a collective decision. Since these decisions are taken by the group, it is the responsibility of the group.

STEPS IN THE DECISION MAKING PROCESS

1. Understanding the problems:

In the decision-making process, it is necessary to know the problem before making a decision. Also, since you know the goals and planning, it is necessary to know the problems in them beforehand. Understanding the information and format is essential before making any decisions.

2. Analyzing the problem:

In this stage of the decision making process, it is necessary to analyze the problem that arises. Because the nature of the problem has to be considered in terms of future consequences and duration. One has to consider whether the factors influencing the decision are controllable and uncontrollable. To solve these problems, important factors need to be separated and analyzed.

3. Developing Alternative Measures:

After analyzing the problem, it is necessary to develop alternative solutions to solve it. For example, a business has the following options for selling goods:

(1) Selling through shops on a chain basis.

(2) Selling goods by advertising.

(3) Selling goods through various festivals fairs.

By considering the above options, the right option is selected from it

4. Evaluating Alternative Solutions:

After consideration of alternative measures, they have to be evaluated or examined. Manager's experience, experiments, analysis of alternatives is used. A manager has many experiences in his daily life. So their experience can be very useful while choosing options. The following factors are taken into consideration while evaluating alternatives:

(1) Result of assessment

(2) Appraisal requirement

(3) Cost of assessment

(4) Period of assessment

5. Selection of Best Option:

After evaluating the alternative measures, one has to choose the suitable alternative or the best alternative among them. This work belongs to the top management. The right option is selected through them.

6. Converting decision into action:

After selecting the best option from several options, the decision has to be implemented. Implementation of the decision means starting the actual work. In this phase, the theoretical part of the decision-making process ends and the practical part begins. Decision implementation is carried out with the help of several employees. Peter Drucker has said in this context that implementation of the decision is an important level of the decision making process.

7. Follow up:

A decision has been converted into an action, which means that the decision-making process is complete. Yet the decision-making process is an ongoing and ongoing process. So the follow-up of whether the decision was successful or not is done at the last stage in the process. During follow-up, the expected results of the decision are compared with the actual results. Attempts are made to make the decision successful by making compromises where necessary.

CHARACTERISTICS OF DECISION MAKING

1. Continuity:

Decision making is a continuous and ongoing process. Any decision is made by considering the past situation. But its implementation is done in the present tense. Therefore, new decisions have to be made. This creates a series of decisions. In this way consistency is found in the decision making process.

2. Choosing:

In decision making, the right option is selected from the available options. So good action is expected.

3. Final Procedure:

A lot of deliberation is done before a decision is made. For example, solving problems, looking at alternative problems, etc. But once a decision is made, there is no change in it. So the decision process is the last step.

4. Evaluation:

Once a decision is made, it is objectively evaluated. Also, after their implementation, the decision is evaluated to determine whether it was right or wrong.

5. Rational process :

While making a decision, one has to choose the right option based on conscience. So the decision making process is a rational process.

6. Creation of a new decision:

Many new questions arise while implementing the decision making process. These questions require many secondary decisions. It creates a new decision.

7. Commitment:

Decision making is a commitment. Once a decision is made, there is no change in it. Once a decision is taken, the manager is responsible for the entire decision. So the decision-making process involves a commitment to act on the decision.

TECHNIQUES IN DECISION MAKING

1. Proper Estimation Techniques:

Appropriate forecasting techniques are used to make decisions in the present by studying past events. Long-term decisions are made by using this technique over a long period of time. Also this technique is useful for short term decision making.

2. Techniques of Management Principle:

Many management thinkers have proposed management techniques. For example, Henri Fayol, Peter Drucker has presented management techniques. These techniques are widely accepted. In business, decisions are made based on management principles.

3. Sampling Techniques:

In business, a plan is made to make a decision and the right option is selected from this plan; this is called 'sampling method'. This technique is generally used in large businesses. Small businesses cannot afford it as it is expensive.

4. Techniques of Human Behavior :

Decision making techniques depend on the behavior of workers and other factors in the business. This technique is used when decisions are made by studying human relationships. There are two types of employees in business, men and women; this technique depends on their attitude towards business.

5. Economic and Financial Techniques:

There are many principles and rules used in economic and financial management. This rule influences the decision. So when decisions are made with this in mind, they are financial in nature. It has to do with financial costs. It is called 'Financial Theory Technique'.

6. Statistics or Numerical Techniques :

Decisions are made by collecting, compiling, analyzing, exploring alternatives with the help of numerology. It is called 'statistical method'. These decisions are statistical in nature. In this, examinations and interviews of employees are conducted and decisions are taken taking their opinion into account.

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