

Unit 3

POM

Planning and Decision Making

Planning and Decision Making

- Nature & Definition of Planning- Koontz o'Donnel, Hart, Alfred & Beaty
- Importance and limitations
- Planning process
- Types of Plans- on the basis of use, functions, time (meaning only)
- Meaning of Decision making
- Steps in decision making
- Types of decisions- Programmed-Non-programmed; Strategic-tactical, Individual-Group, Policy-Operation, Organizational-Personal

Meaning

- A plan is a determined course of action for achieving a specific objective.
- Planning is a process of thinking to action.
- It is a means to achieve well defined objectives.
- Business plan and business planning move together.

Definitions of Planning

- According to Koontz and O'Donnell, - "Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap between where we are and where we want to go. It makes it possible for things to occur which would not otherwise happen".
- According to George R Terry, - "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of purposed activities believed necessary to achieve desired results".

Need of Planning

- For survival and growth
- To face new problems/difficulties
- To face challenges created by changing environmental factors/forces.
- Planning is the core of the whole management process.
- To ensures accuracy, economy and operational efficiency in business management.

Importance of Planning - Why Planning is Important?

1. Increases Efficiency

2. Reduces Business-related Risks

3. Facilitates Proper Coordination

4. Aids in Organising

5. Gives Right Direction

6. Keeps Good Control

7. Helps to Achieve Objectives

8. Motivates the Personnel

9. Encourages Creativity and Innovation

10. Helps in Decision Making

Modes of Strategic Planning

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graph TD; A[Modes of Strategic Planning] --> B[Entrepreneurial Mode]; A --> C[Adaptive Mode]; A --> D[Planning Mode];
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Entrepreneurial
Mode

Adaptive Mode

Planning Mode

Planning Process



Planning Premises



Components of Planning

Standing Plan:

1. Mission
2. Objectives
3. Policies
4. Procedure
5. Rules and Methods
6. Strategies

Single-Use Plans:

1. Programme
2. Projects
3. Schedules
4. Budgets
5. Standards

Examples

1. Business or Divisional Plans.
2. Functional Plans.
3. Geographic or Regional Plans.
4. Corporate Plan.
5. Long, medium and short-range plans. Long-range plans extend to 10 or 20 years ; medium-range plans extend to 5 years and short-range plans generally extend to one year

Decision Making

- Effective and successful decisions make profit to the company and unsuccessful ones make losses. Therefore, corporate decision making process is the most critical process in any organization.

Steps of Decision Making Process

- Step 1: Identification of the purpose of the decision
- Step 2: Information gathering
- Step 3: Principles for judging the alternatives
- Step 4: Brainstorm and analyse the different choices
- Step 5: Evaluation of alternatives
- Step 6: Select the best alternative
- Step 7: Execute the decision
- Step 8: Evaluate the results

Types of Decision Making

- **Decision Levels**
- **Types of Decision Making: Styles**
- **Types of Decision Making: Process**

Decision Problem:

Decision making problems often arise because we aren't clear whether we have a problem to solve or a decision to make.

Why Do We Get So Many Decisions Wrong?

1. adequate participation of stakeholders in the decision making process;
2. sufficient time spent generating a range of possible solutions.
3. A third reason : “too often, managers make bad tactical selections

Group Decision Making Methods

- Directive
- Consultative
- Participative
- Delegative

Group Decision Making Process

- The first step though is to think through own preferences as a team leader
- Then consider the nature of the situation and the expectations of team members.
- Wherever possible, decisions should be made at the lowest level possible.
- The closer to the action the better, where knowledge of the situation is greatest.

Common group decision making Conditions:

- Consensus
- Authority
- Majority
- Minority
- No Response
- Group Think
- Risky Shift

Intuition and Decision Making

As managers trained or educated to be rational thinkers, we may be wary of combining intuition and decision making.

However, academic research into decision making theory indicates there is a sound logic in reconciling the two

The “Process” of Intuition and Decision Making

- **Representative heuristics** - where judgements are made on the basis of things with which we are familiar, or inferred from “representative” characteristics;
- **Anchor heuristics** - where decisions are based on an anchor like a “value” and then adjustments are made from that start point;
- **Availability heuristics** - where judgements are built on the information that is readily available, or on easily recalled memory/experience.

Decision Teory by Jack Welch

- • **Pattern recognition** - where configurations and relationships are recognised in information and events;
- • **Similarity recognition** - where similarities and differences, in past and present situations, are identified;
- • **Sense of salience** - recognising (or assuming) the importance of events and information, and the affect this has on judgements.