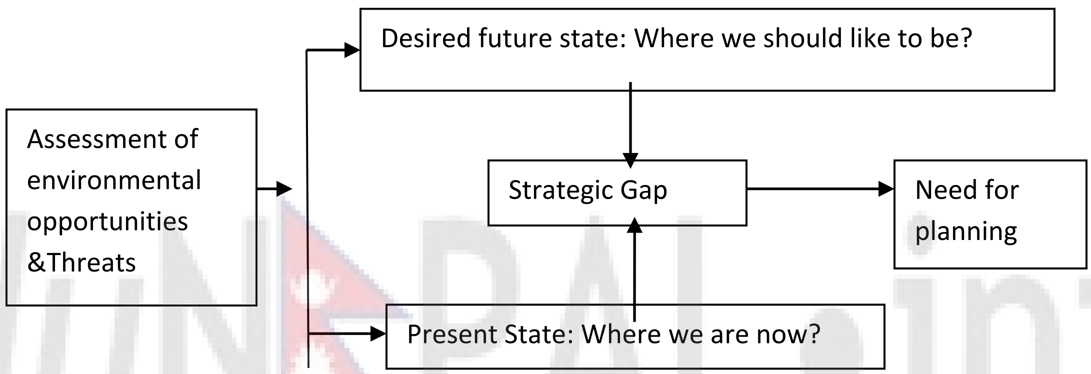
Unit 5: Planning and Decision Making

Planning

Planning is the primary function of management. It is called primary function because it affects all the other functions of management. Planning is concerned with deciding in advance that, when, where, why and how is to be done and who shall do it. Thus, planning is a document stating the goals, outlining the action-oriented strategies to attain these goals, and assigning organizational resources to attain them.

According to Koontz and O'Dennell, "planning is an intellectual process, the conscious determination of course of action, the basing of decisions on purpose, facts and considered estimates"

A planning Model

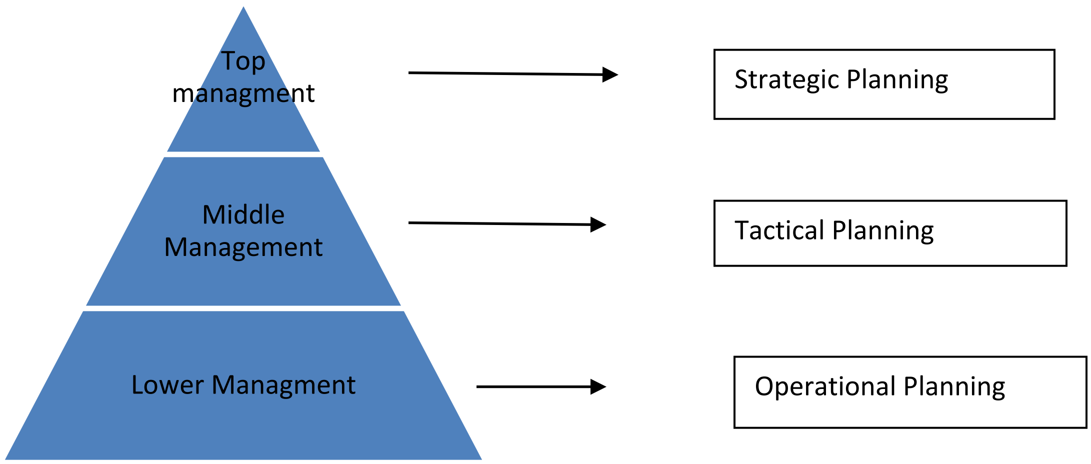


Types of planning: Planning begins with a goal or targeted outcome that the organization wishes to achieve. It may be comprehensive or limited in scope. Although the basic process of planning is same for every manager, planning can take many forms and style in practice. Thus, we classified planning according to the managerial hierarchy, they are called, strategic, tactical and operational plan.

Managerial Hierarchy and planning system

Managerial Pyramid

Types of Planning



1. Strategic Plan: Strategic plan is also called grand plan. It has a strong external orientation and covers the total organization. It begins by asking question regarding the purpose or mission and the operation to which an organization is devoted. Senior executives are responsible for the development of these plans.
2. Tactical plan: Tactical plans translate broad strategic goals and plans into specific goals and plans. It mainly focuses on functional areas of the organization. Middle level managers who are responsible for major division or branches in an organization develop the tactical plan. Tactical plans focus on the major actions that a unit must take to fulfill its parts of the strategic plan.
3. Operational plan: Operational plans identify the specific procedures and process required at the lower level of the organization. These plans are prepared by frontline managers and supervisors. It mainly focuses on daily activities and routine jobs. They translate the tactical objectives into specific operational activities to be assigned to individual or groups.

Besides above classification, business plans are also classified according to the time period for which they are established, they are called, long-range, medium range, and short range plans. Similarly, plans are further classified according to their frequency of use, they are known as standing plans (such as, policy, procedure rule), and single use plan, (such as, program, project, budget etc)

Hierarchy of plans:

The hierarchy of the plans is as follows

1. Vision: An organization's vision is a non-specified directional and motivational guidance for the entire organization. Vision has emotional appeal that encourages people to commit full energies and mind to achieve it.
2. Mission: An organization's mission is the purpose and philosophy that will derive organization over a longer period of time usually fine to ten year. Mission provide reason for being in the business
3. Goals: Goals provide direction to the activities of an organization. They state how the mission will be accomplished over the next year or two. They are the targeted ends that management wants to reach.

4. Objectives: It is a specific statement of what will be done to achieve a goal. Objectives are more specified and are measurable than goals. Objectives are expected to be SMART (i.e., specific, measurable, attainable, rewarding and Timed).
5. Strategies: Strategized are the courses of action which allocate resources in the effective and efficient way for achieving objectives.

Methods of planning: Managers operating at different management levels are involved in planning. According to the nature and size of an organization, method of planning varies. Generally, there are three method of planning. They are:

1. Top-Down Planning: It is also called centralized planning method. Under this method, the central office or headquarter of an organization develops and provide guidelines, which include, business definition, mission statement, economic and social objectives, etc. to other branches and levels accordingly.
2. Button-Up Planning: It is also called decentralize planning method. Under this method middle and lower level management drafted the plan and presented to the higher level management for its final approval. Discussion and meeting are held to make critical review and final approval of the plan at the top management level. This method encourages in participation of lower management in plan formation and ensures their full commitment.
3. Management by Objectives (MBO): MBO is powerful management tool and is considered as a strong method of planning. Under this method all levels of management are involve in goal setting process. The value of MBO is that it communicates the mission, goals, and objectives of the organization to the lower level managers. Lower level manager's work out their plans and target in consultation with their subordinates. These are sent o higher levels for consideration. This involvement of employees increases their motivation and commitment to their work.

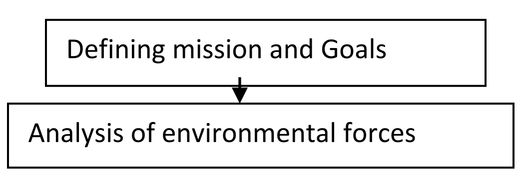
The Key features of MBO are:

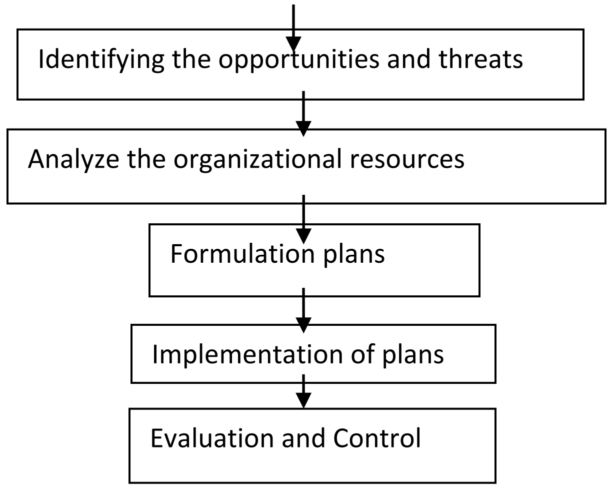
i. The superior and the subordinate meet to discuss and set goals for the subordinate for a specified period of time.
ii. Both the superior and the subordinate attempt to establish goals that is realistic, challenging, clear, and comprehensive.
iii. The standards for measuring and evaluating the goals are objectives and agreed upon. The superior and the subordinate establish some intermediate review dates when the goals will be re-examined.
iv. The superior plays more of a coaching, counseling and supportive role.
v. The entire process focus on results and on the counseling of the subordinates, and not on activities, mistakes and organizational requirements

The advantage of MBO is that it blends planning and control function. It emphasizes results rather than good intensions. MBO encourages self-management and control through participation and commitment.

Planning Process or Steps in Planning

Planning involves complex process. The major steps in the planning process include the followings:





1. Defining mission and goals: Planning process starts with the understanding mission and goals. Mission and goals direct the organization's course of action. They maintain organization within the boundaries of stated mission, and ensure its continuing existence. Thus for effective planning mission and goals must be clearly defined.
2. Analysis of environmental forces: Environmental forces include both external and internal components which directly and indirectly affect the overall functioning of an organization. Planning and strategy development require a thorough analysis of the forces. Management must know not only the current standing of these forces, but also have a fairly clear idea of where these forces appear to be headed.
3. Identifying the opportunities and threats: External environment forces create both opportunities and threat for organization. To identify these opportunities and threat for an organization is also a step of planning. Plan should be able to capitalize the opportunities and neutralize the threats.
4. Analyze the organizational resources: organizational resources include its abilities, competencies, information and other resources that are required to improve organizational performances. Optimal allocation of resources improves efficiency and effectiveness of an organization. Thus, these resources should be determined and analyzed in the process of planning.
5. Formulation plans: After completing the above steps the draft for future activities are determined (i.e., formulating plan). Comprehensive and integrated plans are formulated which covers all the level of management and their functions.
6. Implementation of plans: After the plans are formulated they are implemented. (i.e., activities related the plans are performed). In the implementation, manager's main task is to ensure the availability of resources and their effective and efficient use and motivate people to complete the planned activities with the stated time.
7. Evaluation and Control: The final step in planning process is to monitor progress of implementation. Regular evaluation helps management to understand the deviations and their causes. Feedback system helps to initiate timely actions and adjustment in the plan.

Importance of Planning:

Planning benefits everybody in the organization. It provides guidance for decision making clarifies role and responsibilities of employees and is also a means of measuring performance. The importance of planning is as follows:

i. Provides direction: Where the organization wants to be in future and what are the activities to be performed for it are mentioned in planning. Thus, planning is looking ahead, which gives direction to different level of management in performing organizational activities.
ii. Reduce uncertainty: An organization has to work in an environment which is uncertain and ever changing. Planning involves forecasting in anticipation of future uncertainties and meets the future challenges.
iii. Help in coordination: Planning provide the basis for organized and coordinated effort to the organization. It integrates the individual activities together toward a common goals .Thus it helps in cooperation and coordination between employees.
iv. Ensure better utilization or resources: Planning primarily ensures the availability of resources as and when needed. This prevents resources shortage in an organization. A part from this, better communication and coordination also help in controlling the wastages.
v. Innovation and creativity: Under the ever changing environment, organization growth depends on the innovative and creative actions of executives. Sound planning encourages innovation through and creative actions.
vi. Basis of control: The control function of management is directly linked to planning. It measures progress toward goals and provides information about the causes of success or failure so that plans may be adjusted for the futures.
vii. Improves competitive strength: Effective planning increase the competitive strength of an organization. Planning enables the organization to discover new opportunities and thereby shape its future. It ensures an orderly progress of the organization.

Strategic Planning

(Only wisdom and instinct will not always work to predict the changing environment).

Strategic Planning is a process of determining how to pursue the organization's long term goals with the resources expected to be available.

It is a deliberate process that involves the review of market conditions, customer needs, competitive strengths and weakness and the availability of resources that lead to specific opportunities or thereat facing the organization.

A strategic planning consists of clearly stated organizational mission, organizational goals and organizational strategies.

The main features of strategic planning are:

i. Master Planning: It is main corporate plan formulated in head office with the involvement of (Board of Directors and Chief executive officers) top level management .The plan includes the details of future course of action in changing environment situation.
ii. Top-down Approach: This plan is formulated by Top-level (especially Plan department) and disseminate to the other levels for implementation after its ratification.
iii. Highly Prescribed: Strategic planning contains details of roles and responsibilities for branches, divisions and sub divisions accordingly.
iv. Detailed Control: A centrally controlled mechanism is developed to monitor the activities in different parts of the organization in-order to implement the strategic planning.

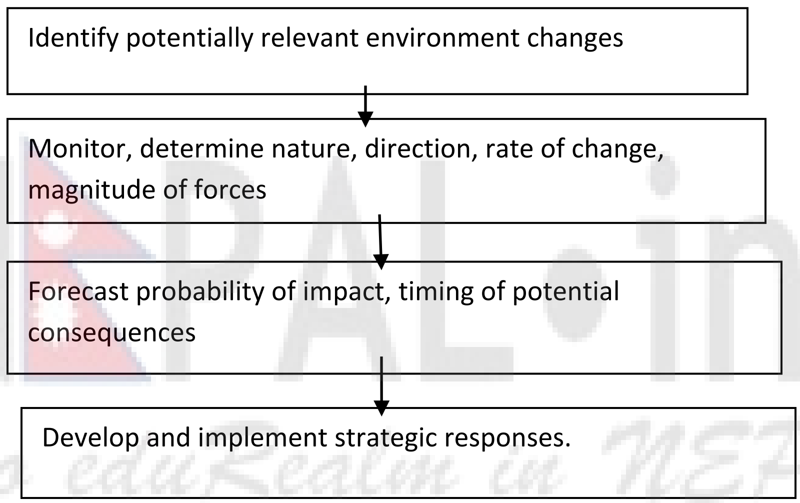
Environmental Scanning:

Environmental scanning is an important function of strategic management .It is the method or technique of acquiring information and systematically analyzing the emerging trends in the environment.

According to Wheeler and Hunger; Environment scanning is “monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation”

The essence of environmental scanning is the identifying relevant environmental changes, monitoring them to determine their nature and direction, forecasting their rates of change and their likely impact, and strategically responding to them

Steps in Scanning Process



Methods of environmental scanning:

There are several methods which are used for comprehensive analysis of environmental forces. Some of them are as follows;

i. Extrapolation method: Under this method past data were analyzed to explore the future. Several statistical tools such as trend analysis, regression analysis are used for analysis.
ii. Intuitive reasoning: Under this method, the scanner used his/her rational intuition to scan the environmental forces.
iii. Scenario Building: Under this method, a situation that could possibly happen is assumed with logical causes and effect relationship to one another. This relation is use in anticipating the effect of environmental forces.
iv. Cross-Impact matrix: When two different trends in the environment point to two conflicting futures, the trends are studied to see their potential impact on each other.
v. Delphi Technique: Under this method, experts opinion is taken individually through several solicitation and feedback .The opinion are used to forecast the changing environment forces.

SWOT Analysis:

SWOT (Strengths, Weakness, Opportunities, and Threats) analysis is very important tool in formulating a strategy. It is used at corporate level or business units and frequently appears in marketing plans. It provides a clear picture of an organization's position in the market.

S- Strength: Strength is resources, skills or other advantages relative to competitors. Market Leadership, Public Image, Experience, Financial and Human Resources, Organizational network, etc are strengths of an organization.

W-Weakness: Weakness are the limitations which seriously affect the organization's performance .Lack of infrastructure, weak marketing skill, low capital etc are the weaknesses of an organization.

O-Opportunities: It is a situation which is in favor of an organization; New Market, Higher economic growth, reduction in competition, etc. are the examples of opportunities.

T-Threats: A threat is a situation which does not favour an organization. The Entry of new competitor, change in technology, increase of bargaining power of suppliers and customers etc. are the examples of threats.

SWOT analysis provides a useful framework for making the best strategic choice. The best strategy can be seen as an optimal match between the external opportunities and threats and the organizational strength and weakness. A SWOT matrix shows the framework of matching.

SWOT Matrix

Internal Factors / External Factors	Internal Strengths(S) e.g. strengths in management, operations, finance, marketing , R&D, engineering etc.	Internal Weaknesses(W) e.g. weaknesses in finance, operation, R&D, engineering etc.
External Opportunities (O) e.g. current and future economic conditions, political and social changes, new products , services, technology etc.	**SO Strategy**: Potentially the most successful strategy, utilizing the organization's strength to take advantage of opportunities.	**WO Strategy**: Developmental strategy to overcome weaknesses in order to take advantages of opportunities.
External Threats (T) e.g. lack of energy, competition , technology, services etc.	**ST Strategy**: Use of strengths to cope with threat or to avoid threats.	**WT Strategy**: Retrenchment, liquidation, or joint venture to minimize both weakness and threats.

SO Strategy (Maxi-Maxi): At this stage the organization has high strength and has several environmental opportunities. Organization adopts aggressive strategy to capitalize the opportunities.

ST Strategy (Maxi-Mini): At this stage organization's key strength face environmental threats. Organization formulates long term programmes; diversify business by utilizing to minimize the threats in this situation.

WO Strategy (Mini-Max): In this stage, organization faces impressive market opportunities but is limited by several internal weaknesses. This organization should eliminate its weakness to exploit the market opportunities.

WT Strategy (Mini-Mini): Under this stage, both weakness and threats are in the organization's environment. Organization should call for defensive strategy to minimize weakness and neutralize the threat.

Formulation of Strategic Plans:

Strategic plans formulation is a process of decision making in order to define a firm's future direction. It includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue.

Process of formulating strategic plans:

i. Evaluate current performance results: Firm's current performance is to evaluate to identify its position in the market. Profit and loss situation, return on investment, market share etc are examined with respect to its mission, objective, strategies adopted by the firm.

ii. Review of corporate governance: it includes the careful evaluation of performance of top level management. A good governance of firm depends on the top management skill to develop vision and mission of a firm so, it should be analyzed properly.

iii. External Environment analysis: External environment poses both opportunities and threats. Firm should scan and assess properly to capitalize the opportunities and neutralize the threats.

iv. Internal Environment analysis: How an organization can take advantages from external environment greatly depends on its core competencies (i.e. Skill, abilities, resources etc.) Through internal environment analysis, organization evaluates strength and weakness so that it can enhance strength and overcome weakness.

v. Analyze strategic factors: Strategic factors are external and internal elements determining the future of a firm. At this stage organization pinpoint the problematic areas and issues relating to get competitive advantages. Organization identifies different strategic alternatives which fit internal competencies with external opportunities.

vi. Evaluate and select the best strategic option: At this stage, organization evaluates and selects the best strategic option which enhances overall organization's performance. SWOT matrix helps to select the best strategic option in this stage.

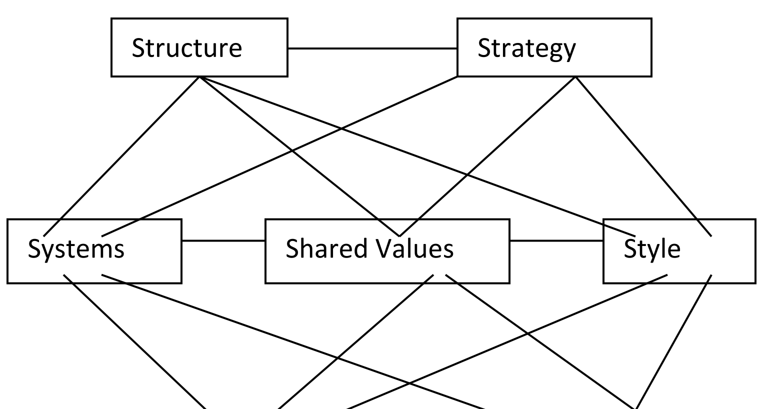
Implementation of Strategic Plan:

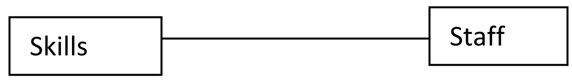
Strategy implementation refers to "working of plan" in action. Strategic plan will be simply a worthless exercise if it is not implemented properly. Thus, strategy implementation is a vital function after the strategic planning in an organization.

Implementing strategic plan affects everything from top to bottom level in an organization. If affects all the functional and divisional area of a business.

The McKinsey 7-S framework is useful to describe how strategic plan needs an integrated framework in the process of its implementation.

McKinsey 7-S Framework





According to figure the process of strategic plan implementation requires the following:

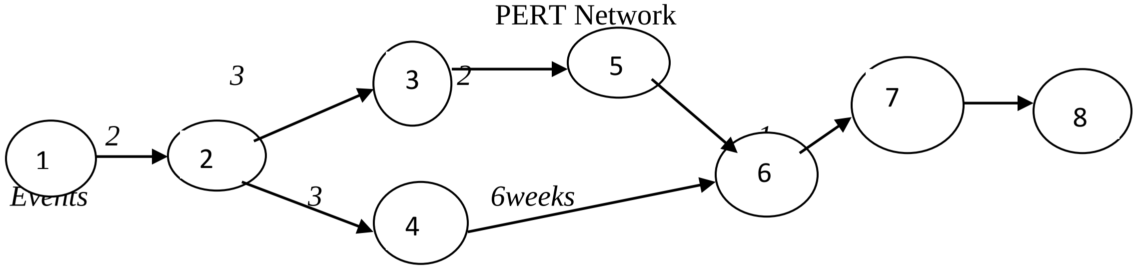
i. Strategy: It is a set of decisions and actions aimed at gaining a sustainable competitive advantage from the market.
ii. Structure: To implement strategic plan, organization structure with clear defined roles, responsibility and accountability is required.
iii. System: It includes transforming inputs in to outputs.
iv. Style: It refers to the working attitudes and behavior of managers.
v. Staff: Employees are the main agents to implement strategic plan. Performance evaluation, reward and employee satisfaction will help to retain staff in the organization.
vi. Shared values: To implement strategy all managers and employees should work together with collective values to achieve the goal of plans.(Organizational Culture)
vii. Skills: Skills represent an organization's dominant capabilities and competencies. Time to time training and management development enhance employees' capability to implement strategic plans.

Quantitative tools for planning:

There are some quantitative tools which aid managers in performing their planning functions. They are as follows:

1. PERT (Program Evaluation and Review Technique) or Network Technique: The PERT is used as a tool of project planning. It is a flow chart diagram that shows the sequence of activities need to complete a project and the time or cost associated with each activity. To apply the PERT it is essential to know about events, activities, slack time and critical path.
   i. Events: They are the end points of activities.
   ii. Activities: They represent the time or resources to complete on event to another.
   iii. Slack Time: It represents the amount of time that can be delayed in some activity without delaying the project.
   iv. Critical Path: It is a longest and time consuming sequence of events and sequence of events and activities.

PERT Network



In the network above there are 8 events and activities. The critical path represents the longest weeks 14 (2, 3, 6, 1, 2) required to complete the total 8 activities.

2. Break Even Analysis: Break Even (BE) Analysis is also called Cost-Volume Profit Analysis. It gives information about price and profit decision .The objective of BE analysis is to determine the quantity at which the product or services will generate enough revenue to start earning a profit.

The equation used to calculate the BE analysis is

BEP= FC / (P-VC)

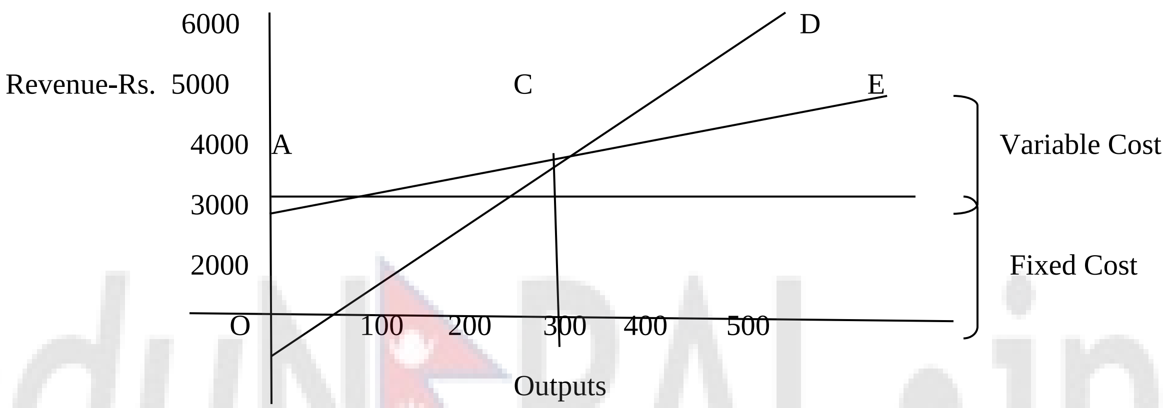
Where,

BEP- Break Even Point

FC-Fixed Cost

P- Price

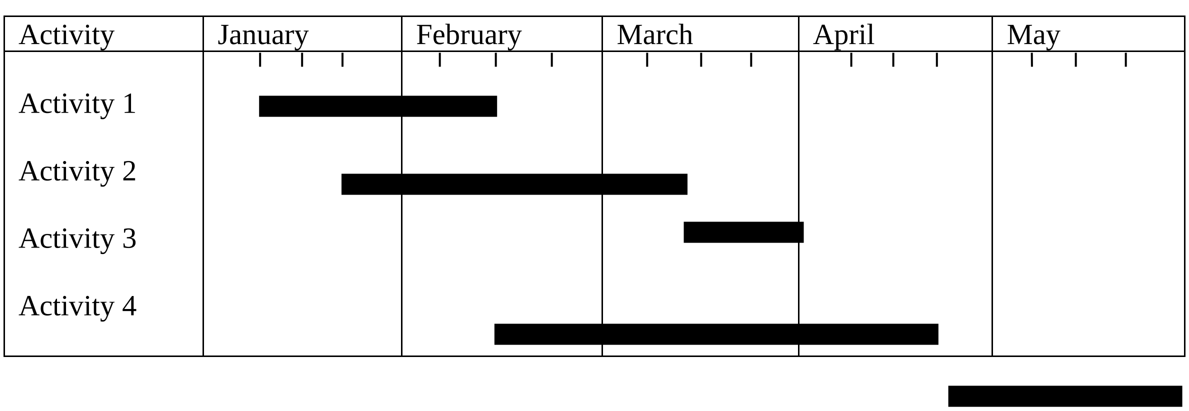
VC- Variable Cost.



In the above figure, the area between AO is loss area because cost of output is higher than revenue. The point C is known as Break Even Point (BEP).The DE area is profit area resulting from the earning of higher revenues compare to the costs.

3. Linear Programming: Linear Programming Technique is mostly useful for maximizing an objective such as profit or minimizing an objective such as cost. Under limited resources, what combination of variables gives the optimal solution (i.e., in maximizing profit or minimizing costs) is identified through this technique. It includes maximizing production, minimizing distribution cost and determining optimal inventory level.
4. Gant Chart: Gant Chart is another very useful tool for planning and monitoring project activities. It has a X-axis and Y-axis. On the horizontal axis, the duration of project in days or weeks is shown. On the vertical axis each individual activity is shown. A bar is then drawn for each activity that shows the beginning and ending times of different stages in the process. This enables the manager to monitor progress and deviation from the plan at a glance.

The Gantt chart



Activity 5					

5. Forecasting: Forecasts are prediction, projections or estimates of future situation. It is primarily concerned with trying to reduce the uncertainty that exists about some part of the future. In the forecasting techniques, the role of information collected from different sources is very significant. Wrong information may lead to wrong forecast. The number of tools is available for quantitative forecasting. They are;
    i. Moving Average method: This method gives a time series of moving averages. It helps to eliminate the effects of seasonality and other irregular trends while forecasting the future figures.
    ii. Time Series Analysis: Under this technique past information related to sales volume are used to predict the future demand of the product. The assumption of time series analysis is that the future will reflect the past. This method is especially suited for long range forecasting.
    iii. Extrapolation method: It is a projection or trend method. It involves the plotting of the figures for the past several years and stretching of the line. This extrapolation gives the figure for the coming years.
    iv. Regression analysis: Under this technique linear equation is used to interpret the relation between variables and forecasting the relation between independent and dependent variables.

Decision Making

A decision may be defined as a choice made from available alternatives. It represents a course of action about what must be done or must not be done.

Decision making is defined as the conscious process of selection a course of action among several alternatives to achieve a desired goal or solve problems.

Decision making process:

Decision making is step by step process. There are following steps in decision making process.

1. Identifying and diagnosing the problem: Decision making process start when there is a problem occurs in an organization. Problem definition is an initial step in decision making. Problem should be accurately identified and thoroughly diagnosed so that corrective action can be under taken. E.g. declining sales: It may be due to the poor product development or inadequate advertising and sales promotion or any other reasons. Therefore, a decision maker has to collect relevant information, use his diagnostic skill effectively and recognize the problems properly.
2. Generating possible alternatives: At this step decision maker should try to generate all the possible alternative solutions to the problems. Relevant information is gathered, analyzed by using their knowledge, skill and experiences to generate possible alternatives. It can be costly and time consuming operation. Typically, the more important the problem situation the more time and effort can be spent for the exploration of alternative solutions.
3. Evaluation of alternatives: After generating the alternatives the next step is to evaluate each alternative. It is important to establish some common framework to evaluate each alternative to assure consistency. Manager must ascertain, whether or not alternative is feasible and practical? If an alternative is not feasible it should be eliminated and vice-versa.
4. Selection of best alternative: After evaluating each alternative the best alternative which contribute maximum to the organizational goal is selected. Important reason for choosing one alternative over the other are as follows:
   i. It is less expensive.
   ii. It takes less time.
   iii. It will be more effective.
   iv. It will be preferred by employees.
   v. It will result in greater productivity.
5. Implement the selected alternative: Implementing means putting the selected solution to work. The ultimate success of an alternative depends on its ability to be translated into action. All concerned parties should be well communicated and their full cooperation for the implementation should be obtained.
6. Evaluating and Controlling: It is the final step of decision making process. After decision has been implemented, their progress should be constantly monitored and evaluated. If there are any differences between the decision and the problem, the decision maker may restart the decision-making process by setting a new goal.

Approaches to decision making:

There are two basic approaches (Model) to decision making .They are:

1. Classical Model
2. Administrative Model

1. Classical Model: This approach to decision making is influenced by the thinking of the classical theorists, such as: Taylor, Fayol, and Weber etc. It is a prescriptive approach that is based on critical economic assumption. This model is essentially a theory of decision making under condition of certainty. It is based on the following assumptions.
    i. The manager seeks to attain objectives that are both known and agreed upon.
    ii. Targeted problems are precisely defined.
    iii. The manager posses full information relation to the problem.
    iv. All alternative solutions to problems and their potential results can be calculated.
    v. The manager is rationale and logical in assigning values, evaluation alternatives and making decisions.
    vi. The manger will select the alternative that maximizes return to the organization or attainment of organizational goals.

    This model however is based on defective logic and reasoning .In real life situation these assumptions cannot be met. Hence, this model is an idealistic explanation of decision making.

    This model can probably be most helpful when used for programmed decision or for decisions made in risk where outcome probabilities can be calculated.

2. Administrative Model: Herbert A. Simon develops the administrative model of decision making to deal with the condition (uncertain and non- programmed) that mangers usually face. Simon's model is based on two concepts: Bounded rationality and Satisficing.
    The decision maker's rationality is limited or bounded by inherently individualized beliefs, values, attitudes, skills, habits and unconscious reflexes. It is also limited by the complexity of the organization, environment, available information, amount of time and money needed etc. So due to these constraints the decisions maker rarely tries to find the optimum solution to a decision problem.
    By satisficing the decision maker selects the first solution alternative hat satisfied some minimal set of outcome expectation. In other words, instead of conduction an exhaustive search the decision maker looks for a limited number of alternatives. Hence, the decision maker satisfices rather than optimizes and makes decision which he consider satisfactory in terms of his own or organizationally determined criteria.

Types of Decision

Decisions are taken at various levels of management. Such decisions made in organization can be classified according to their frequency and nature.

1. According to their frequency, decision are classified as programmed and non programmed decisions

    a. Programmed decisions: Most decision making that related to the day to day running of an organization is called programmed decision making. Such decisions are taken by middle or lower level and are repetitive and routine type. Decision maker knows in advance what decision he/she has to take in a particular set of condition. In most organization programmed decisions are handled through policies, rules or standard procedures which have been set by top executives.
    b. Non-Programmed decisions: Decision are called non-programmed when they are made for novel, non-recurring and unstructured problems. They often deal with complex issues that demand data gathering, forecasting and strategic planning. Such decisions are taken

by the top executives. E.g. Opening a branch in locality, launching a new product, establishing strategic alliances etc.

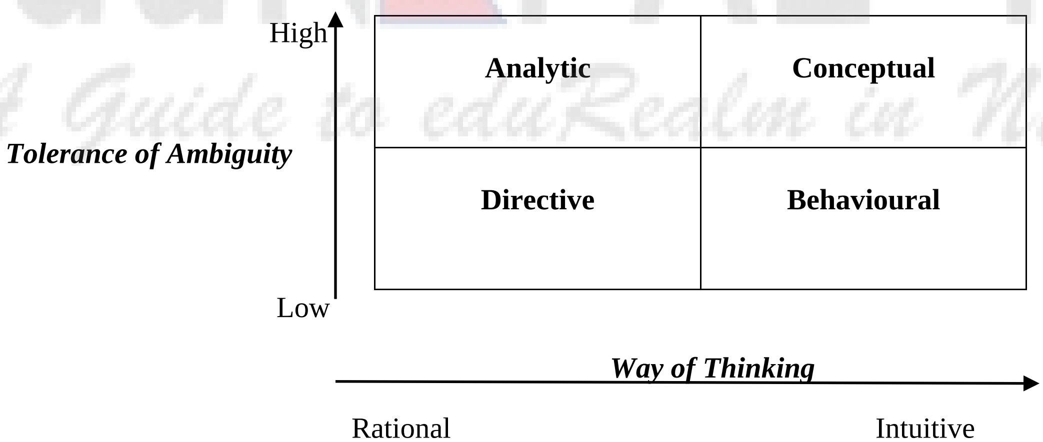
2. According to nature, classification of decisions are as follows:

   a. Operating decisions (internal): Operating decisions are day to day decisions which aim at maximizing the efficiency and profitability of the organization's current operation. These decisions are deal with internal issues such as production schedule, inventory level, operational monitoring and control. Low level manger takes such decisions.
   b. Strategic decisions; Strategic decisions focus on issues external to the organization. These decisions deal with problems such as the goal and objective of the organization selection of a product market-mix, strategies for diversification, investment and expansion etc. These decisions are centralized and are responsibility of top level management.
   c. Administrative decisions: Administrative decisions act as a bridge between operative and strategic decisions. They deal with issues such as rules, procedures, information flows, reward system, acquiring resources etc. Mostly middle level managers are involved in the kind of decisions.

Decision making styles:

Behavioral Aspects of Decision making (Decision making styles) ***[****source Robinson's book****]***

How a manager decides in an organization determines the organization's future. The way of taking decision varies with manager behaviour or style. Managers' decision making styles differ along two dimensions viz. ***individual way of thinking*** and ***tolerance for ambiguity***.



a. Directive Style: Decision makers using directive style have low tolerance for ambiguity and are rational in their way of thinking. They are efficient and logical. Directive types make fast decisions and focus on the short run. Their efficiency and speed in making decisions often result in their making decision with minimal information and assessing few alternatives.
b. Analytic style: Decision makers with an analytic style have much greater tolerance for ambiguity than do directive type. They want more information before making a decision and consider more alternatives than a directive decision maker does. Analytic decision makers are characterized as careful decision makers with the ability to adapt with unique situations.

c. Conceptual style: Individual with a conceptual style tends to be very broad in their outlook and look at many alternatives. They focus on the long run and are very good at finding creative solutions to problems.
d. Behavioural Style: Decision makers with a behaviour style work well with others. They are concerned about the achievements of those around them and are receptive to suggestions from others. They often use meeting to communicate, although they try to avoid conflict. Acceptance by others is important to this decision making style.

Although these four decision making styles are distinct, most mangers have characteristics of more than one style. It's probably more realistic to think of a manger's dominant style and alternative style.

Decision making style as per leader:

The way of decision making is different in different circumstances by the same individual. In other words, style of decision making would differ as the situation changes. There are five most common styles of making decisions they are as follows:

A. Autocratic:
i. Style I: The manger solves the problems or makes the decisions himself/herself by using information available to him/her at that time.
ii. Style II: The manager obtains the necessary information from him/her sub-ordinates and then decides on the situations to the problems himself/herself.

B. Consultative:
i. Style III: The manger shows the problem with relevant subordinates individually, getting their ideas and suggestions without bringing them together as a group. The decision may or may not reflect his/her sub-ordinates influences.
ii. Style IV: The manger shares the problem with his/her subordinates as a group, collectively obtaining their ideas and suggestions. The decision may or may not reflect his/her sub-ordinates influences.

C. Group Processes:
i. Style V: The manger shares the problem with his/her sub-ordinates as a group. Together he/she generates and evaluates alternatives and attempts to reach agreement (consensus). Manager accepts and implements solution that has the support of the entire group.

Decision making under condition of certainty and uncertainty

Decision making takes place under different conditions. These conditions are grouped into three categories. They are as follows:

i. Condition of certainty
ii. Condition of Risk
iii. Condition of uncertainty

i. Condition of certainty: A state of certainty exists only when mangers know the available alternatives as well as the conditions and consequences of those actions. E.g. to buy a vehicle, organization can collect all the information related to vehicle and buy it after comparing the specification of vehicle and the need of the organization. Thus, it is simple and easy to take decision under condition of certainty.

ii. Condition of risk: A state of risk exists when the manger is aware of all alternatives, but is unaware of the consequences. In other words, risk exists when the probability of an action being less than 100 percent. Certain degree of risk is always associated under this condition of decision making.

iii. Condition of uncertainty: Uncertainty means that mangers do not have enough information about the environment to understand or predict the future. Under condition of uncertainty, little is known about the alternative or their outcomes. This situation arises when the level of ambiguity is higher at the time of making decision. The decision maker should use his/her intuition, judgment and experience in making decisions under condition of uncertainty.

Concept of Problem Solving (Albert Einstein)

Problem identification is the first step in problem solving process. So the term problem is a deviation between the actual and the desired program or situation.

Problem solving is defined as the use of information to minimize the deviation between current and the desired situation. In other words, problem solving is the way of selecting alternative, resolving disputes and making the optimum choice.

Types of problems:

Problems can be classified on the basis of;

i. Frequency
ii. Urgency
iii. Impact
iv. Sources

i. Frequency: Problem can be classified on the basis of their frequency of occurrence. They are;
   a. Routine Problem: This type of problem occurs on a regular basis. E.g. problem related to power supply, machine breakdown, order cancellation etc. Such problem can be foreseen and solved through established policies, rules and regulations.
   b. Exceptional Problem: It occurs occasionally. E.g. the sudden appearance of strong multinational competitors in the market. Management must use their experience, skill etc to tackle this type of problem.

ii. Urgency: Under this basis of urgency problems are classified into urgent and non urgent problems.
   a. Urgent Problem: This problem which must be solved immediately. E.g. machine breakdown may cause problem in production unit. Such problem needs to be addressed and solved as soon as possible.
   b. Non-Urgent Problem: Such problem allows the manger to take their time to consult other, develop alternatives, and decide on a course of action.

iii. Impact: There are two types, under this classification.
   a. Overall Impact: A problem that affect the total organization its goals and objectives ahs an overall impact. These problems are of serious in nature and have long-term effect. E.g. reduce in sales and profit.
   b. Partial Impact: A problem which affects only a segment (division, units, and section) rather than entire organization is called partial impact problem.

iv. Source: Under the source, the problem is classified as technical and human.
   a. Technical Problem: Those problems related to material, suppliers, equipments, production etc lie under this type. Such problem should be identified and controlled at time.
   b. Human Problem: It is a behavioral problem of human beings. Such as employee motivation, dissatisfactions, conflict etc. These problems are serious problems and should be addressed effectively in an organization.

Problem Solving Strategies

Solving a problem is an essential skill of mangers. They must have knowledge to identify and define the problem, which enable them to solve it effectively.
Judith G. Bulin (1996) suggests the following strategies which can be used by managers for solving the problems.

1. Separate the person from the problem: Allow the person to express frustration and then try to identify the real problem. Focus the conversation on solving the problem, not placing blame.
2. Listen Carefully: Listen to the whole problem and ask question to clarify before responding .Listen not only for what has been said, but also for what has been avoided.
3. Get as much information as possible: Be sure to identify all the issues and talk to others, who are involved before making a decision.
4. Explore alternative solution: Ask for suggestion for solving the problem from those who are close to it. Solutions suggested by those involved are less likely to meet resistance when implemented.
5. Decide what to do: Get agreement and understanding from those involved about what will happen next. Select an acceptable alternative that will likely to achieve the desired results and proceed slowly.
6. Create accountability: Define who will be responsible for each phase of the process and be sure that everyone knows what each person will do and by when.
7. Monitor progress: Be sure to check if the plan is working. Be flexible and open to making adjustment as needed to accomplish your objectives.
8. Give credit where it is due: Be sure to recognize the contribution of those involved in resolving the problems.

Crisis Handling

In the process of implementing decisions something may happen unexpectedly so that decision maker has no choice than to change the given alternative in the situation of crisis. A crisis is a serious problem. It is a problem of greater intensity and wider implication. It threatens the organization’s ability to function.

Lack of planning, reluctance to deal with conflict, ignoring problems and its timely solution are the causes of crisis situation. The effects of crisis can be devastating to an organization so it must be handled effectively.

The phases of crisis handling

There are usually five phases of crisis handling. They are:

i. Warning: Prior to crisis, some warning signal appear. Managers should identify such warning signal early and prevent crisis. This can be done through regular monitoring of the operations and establishing open communication channel.

ii. Preparation and Prevention: In this phase, systematically search for potential problem and their precautionary measure are identified and defined to prevent crisis. Preparation for handling crisis is done through proper planning, training and drilling of staffs etc.

iii. Damage limitation: Damage limitation is done through careful analysis and advanced preparation.

iv. Recovery: The crisis problem should be addressed as quickly as possible so that the organization can be recovered and put back into track.

v. Organizational Learning: Why did the crisis occur? What are the causes? What can be done to prevent future problem? Managers should learn from the problems and the way to handle them, so that similar problem or crisis will not arise in future.

Steps in Crisis management

Crisis management means that managers try to anticipate the unexpected through contingency plans to cope with possible crisis. The three crucial steps in crisis management are as follows:

i. Anticipating: The manager must try to understand the possible source of crisis to manage them. Manager can anticipate crises by analyzing both the work and the people for whom they are responsible.

ii. Contingency Planning: A contingency plan is a course of action to follow if some unexpected events occur. The plan should specify warning signals or source of information to be monitored.

iii. Practicing: Once the contingency plan is developed, it is necessary to be sure that these would be practiced in case of the need.

Group Decision making

It is the process of making decision by groups that affect the welfare of the organization and the people in it. In a group, members effectively identify problems, choosing alternatives and evaluate decision. Such decisions are mostly unbiased and very effective.

Advantages and Disadvantages of Group decision making:

Advantages:

The following are the advantages of group decision –making

1. Generate more information ideas and solutions.
2. Builds team feeling
3. Communicates information to more people, improving understanding and morale.
4. Increases commitment to the solution.
5. Shares responsibility
6. Builds interpersonal and leadership skill
7. Particularly suitable to non programmed decision making

Disadvantages:

The following are some of the disadvantages of group decision making

1. Requires good group management and communication skills
2. Takes more time.
3. May create conflict between supporters of different views.
4. Dilutes responsibility, although the supervisor is ultimately accountable.

5. Domination of a vocal few, who talk the loudest and longest
6. Group think- a pressure to avoid disagreement or raise objection may occur.

Techniques of Group Decision Making:

Participation, communication, free flow of information, chances of interaction and respect for each individual member in group are the main factors that lead to improve decision making.

The following are the technique used in group decision making:

1. Brain- Storming: It is a useful technique for generating ideas about possible causes of problems, and about potential solution to problems, once they have been identified. The objective of brain storming is to generate pool of ideas on a particular subject. The technique of brain storming includes a strict series of rules. They are as follows;
   a. No idea is too ridiculous. Group members are encouraged to state any extreme or outlandish idea.
   b. Each idea presented belongs to the group , not to the person stating it. In this way, it is hoped that group members will utilize and build on the ideas of other.
   c. No idea can be criticized.
   d. The good ideas are selected later.

2. Delphi Technique: A Delphi technique is a systematic means to obtain consensus from a group or panel of experts. In this technique participants are asked to give their ideas, suggestions and views on the decisional problem. All responses are transcribed into a single document and the results are sent back to the panel members and then again their reactions to others' views, ideas and suggestions are collected. The name of the participants is kept anonymous. A panel coordinator contacts each participant usually by mail questionnaire. After obtaining consensus, from the expert panel the decision will be made.
3. The Nominal Group Technique (NGT) : NGT is a structured group meeting that proceed as follows:
   A group of individuals (7 to 10) sit around a table but do not speak to one another. The problem is presented to them and they write their reactions, ideas, suggestions, and views on a sheet of paper. After this process is over, structured sharing of ideas takes place. Each person around the table presents his/her ideas. A person designated as recorder writes the ideas of various members on a blackboard. At the end of it, there is a list of ideas open for discussion. Each idea is discussed fully before moving on to the next one. The next stage involves independent voting in which each participant selects priorities by ranking or voting and final decision is made by the majority of the votes cast.

Quantitative tools for decision making

Management decisions are also made by using quantitative tools. These tools are basically in use to give emphasis on the means or how best to reach the stated goals. Some important quantitative tools are as follows:

1. Linear programming: Linear programming is a mathematical technique for deciding among competing demands for limited resources. This tool is used to fine out the exact solution that will minimize costs or maximize gains. The application of linear programming determines the best ways to do the followings:
   a. To distribute manufacturing goods from a number warehouses to a number of customers.
   b. Making placement of personal to various jobs.
   c. Preparing shipping schedule

d. Selecting a product mix in a manufacturing plant to make the best use of machine and labor hours available while maximizing the firm's profit.

2. Probability: Probability is a statistical measure of the chance that a certain event will occur. It deals with the rational calculation of chances of specific outcomes from a course of action. Nowadays the use of probability calculation has been increased in decision making to calculate likelihood of certain events and to supply an estimate of the gain or loss for a decision that assist the manger in selecting the best decision for a given set of circumstances.
3. Queuing: Queuing theory is also called waiting theory .It is a mathematical decision-making technique for solving waiting –line problems. The main objective of this theory is to minimize the losses caused from waiting. This technique helps to take decision to minimize the line of customers, waiting to get the services from the organization.
4. Decision Tree: This technique is based on probability factors. A decision tree is a representation in graphic form of a number of possible futures events that may affect a decision. It is used to identify the strategy most likely to reach the goal. It shows all possible courses of action, their values, and the best return that can be produced. Thus, it enables the decision maker to evaluate alternatives in terms of the best estimates of future results.
5. Game Theory: Game theory is used to give reality to the situation. It is concerned with the formulation of a strategy against the competitor. This theory assumes that business situation have a strong similarity with games. Business games are played to formulate strategy that will provide maximum countering action. The outcome of the game is readiness of mangers to respond to the action of competitors. The mangers should try to know what a competitors' strategy is, as well as the outcome of ever possible move that a competitor can make. This technique is thus, useful to analyze behavior of the competitors.
6. Operation Research: It is the application of scientific or mathematical methods to analysis and evaluation of alternative solution to a problem situation. It consists of bringing together available data on a specific problem, processing these data and obtaining quantitative reports of various potential courses of action. Thus, it provides data to the decision maker in choosing the solution which best satisfied the goals.
7. Simulation: Simulation is the process of experimentation with a model of some real system or situation in order to gain understanding or solve a problem in the real world. It is a means of gaining artificial experience through the use of model that gives the appearance or effect of reality. Thus, simulation models are empirical and not mathematical like operation research model. It is basically a systematic trial and error approach to complex problems.