

EAST AFRICA UNIVERSITY

subject: MANAGEMENT

Chapter #2

Planning

Lecturer: Mr. Mohamed Mohamud
Osman(Lambo)

MBA. Account & Finance. Pakistan

BBA , Marketing And Finance . pakistan

Year: 2018/2019

RECAP

- RECAPS of CHAPTER NUMBER ONE

DEFINITION

- According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

NATURE AND PURPOSE OF PLANNING

- **Planning is goal-oriented:**
- **Primacy of Planning:**
- **Pervasiveness of Planning**
- **Efficiency, Economy and Accuracy:**
- **Co-ordination:**
- **Limiting Factors:**
- **Flexibility:**
- **Planning is an intellectual process:**

Purpose of Planning

- As a managerial function planning is important due to the following reasons:-
- **To manage by objectives:**
- **To offset uncertainty and change:**
- **To secure economy in operation:**
- **To help in co-ordination:**
- **To make control effective:**
- **To increase organizational effectiveness:**

Features of Planning

- It is primary function of management.
- It is an intellectual process
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process
- It is a pervasive function

Classification of Planning

On the basis of content

- **Strategic Planning**

- ❖ It is the process of deciding on Long-term objectives of the organization.
- ❖ It encompasses all the functional areas of business

- **Tactical Planning**

- ❖ It involves conversion of detailed and specific plans into detailed and specific action plans.
- ❖ It is the blue print for current action and it supports the strategic plans.



On the basis of time period

- **Long term planning**

- ❖ Time frame beyond five years.
- ❖ It specifies what the organization wants to become in long run.
- ❖ It involves great deal of uncertainty

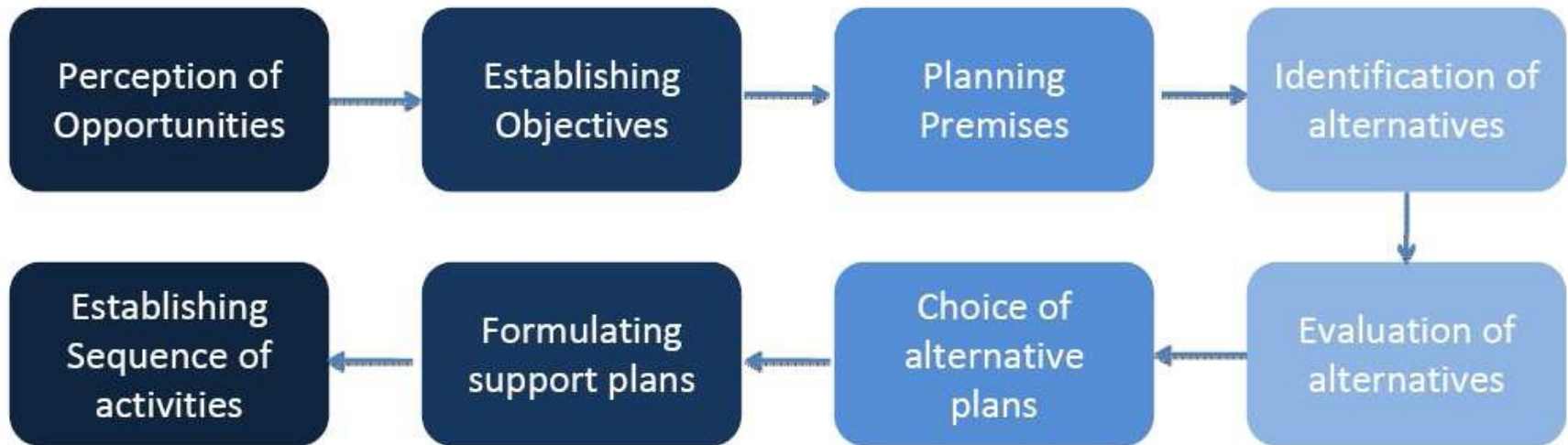
- **Intermediate term planning**

- ❖ Time frame between two and five years.
- ❖ It is designed to implement long term plans.

- **Short term planning**

- ❖ Time frame of one year or less.
- ❖ It provide basis for day to day operations.

PLANNING PROCESS



Planning Process

TYPES OF PLANS / COMPONENTS OF PLANNING

- In the process of planning, several plans are prepared which are known as components of planning.

Plan

Strategic plan

Tactical Plan

Operational Plan

Contingency plan

Mission

Single
plan

Standi
ng plan

Objectiv
es

Progra
mmes

Policie
s

Strateg
ies

Budge
ts

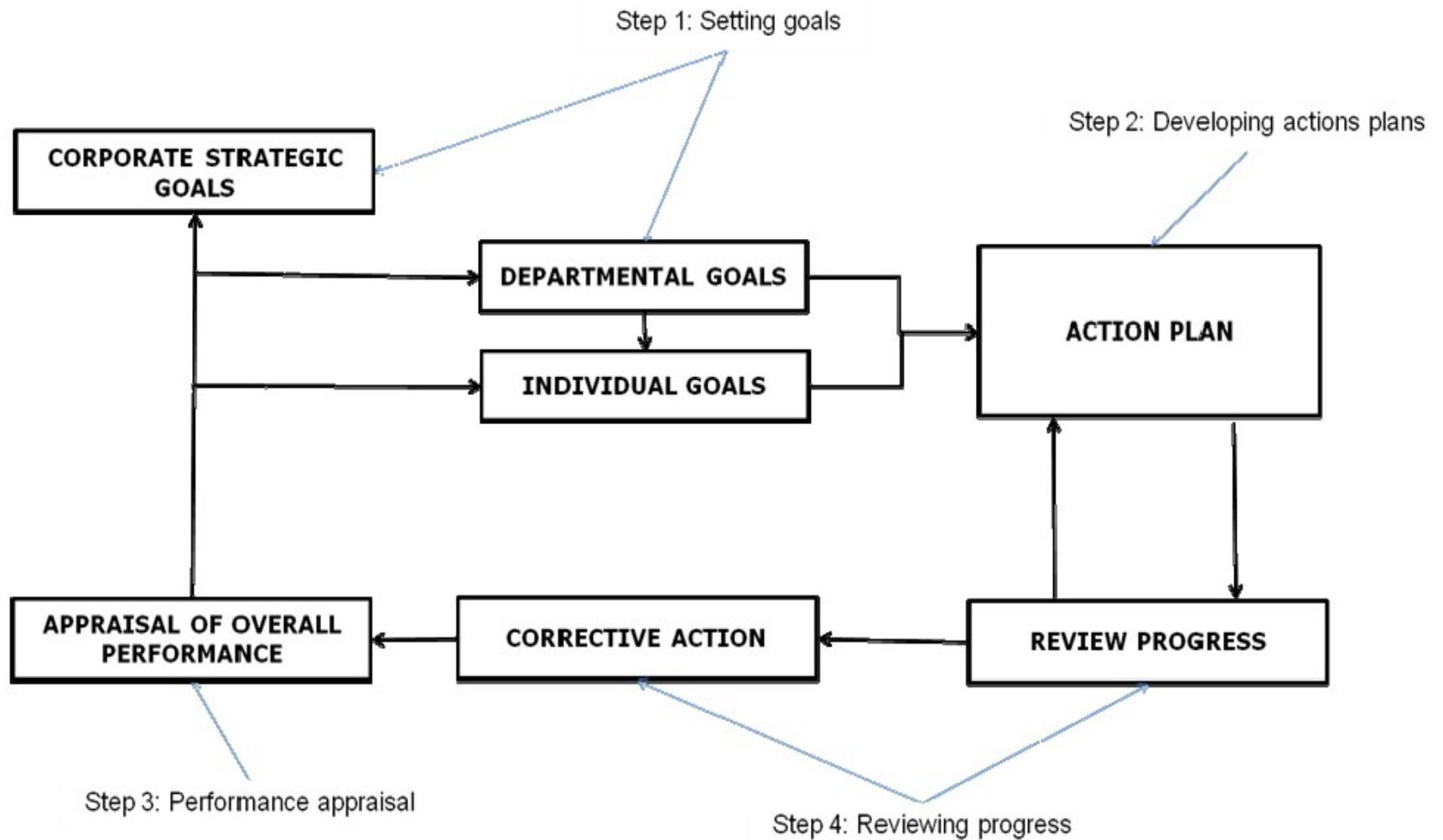
Proced
ures

Rules

MANAGEMENT BY OBJECTIVES (MBO)

- “MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Steps in MRO:



The typical MBO process consists of:

- 1) Establishing a clear and precisely defined statement of objectives for the employee
- 2) Developing an action plan indicating how these objectives are to be achieved
- 3) Reviewing the performance of the employees
- 4) Appraising performance based on objective achievement

STRATEGIES

- The term 'Strategy' has been adapted from war and is being increasingly used in business to reflect broad overall objectives and policies of an enterprise. Literally speaking, the term 'Strategy' stands for the war-art of the military general, compelling the enemy to fight as per out chosen terms and conditions.

Characteristics of Strategy

- It is the right combination of different factors.
- It relates the business organization to the environment.
- It is an action to meet a particular challenge, to solve particular problems or to attain desired objectives.
- Strategy is a means to an end and not an end in itself.
- It is formulated at the top management level.
- It involves assumption of certain calculated risks.

Strategic Planning Process / Strategic Formulation Process

- **Input to the Organization:**
- **Industry Analysis:**
- **Enterprise Profile:**
- **Orientation, Values, and Vision of Executives:**
- **Mission (Purpose), Major Objectives, and Strategic Intent:**
- **Present and Future External Environment:**
- **Internal Environment:**
- **Development of Alternative Strategies:**

- 
- **Evaluation and Choice of Strategies:**
 - **Medium/Short Range Planning, Implementation through Reengineering the**
 - **Organization Structure, Leadership and Control:**
 - **Consistency Testing and Contingency Planning:**

TYPES OF STRATEGIES

According to Michel Porter, the strategies can be classified into three types. They are

- a) Cost leadership strategy
- b) Differentiation strategy
- c) Focus strategy

POLICIES

- **Policies are general statements or understandings that guide managers' thinking in decision making.**

Decision making

- The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable.
- In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

TYPES OF DECISIONS

- **Programmed and Non-Programmed Decisions:**
- **Strategic and Tactical Decisions:**

Characteristics of Decision Making

- Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- The decision-maker has freedom to choose an alternative.
- Decision-making may not be completely rational but may be judgemental and emotional.
- Decision-making is goal-oriented.

- 
- Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
 - A decision may be expressed in words or may be implied from behaviour.
 - Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.
 - Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

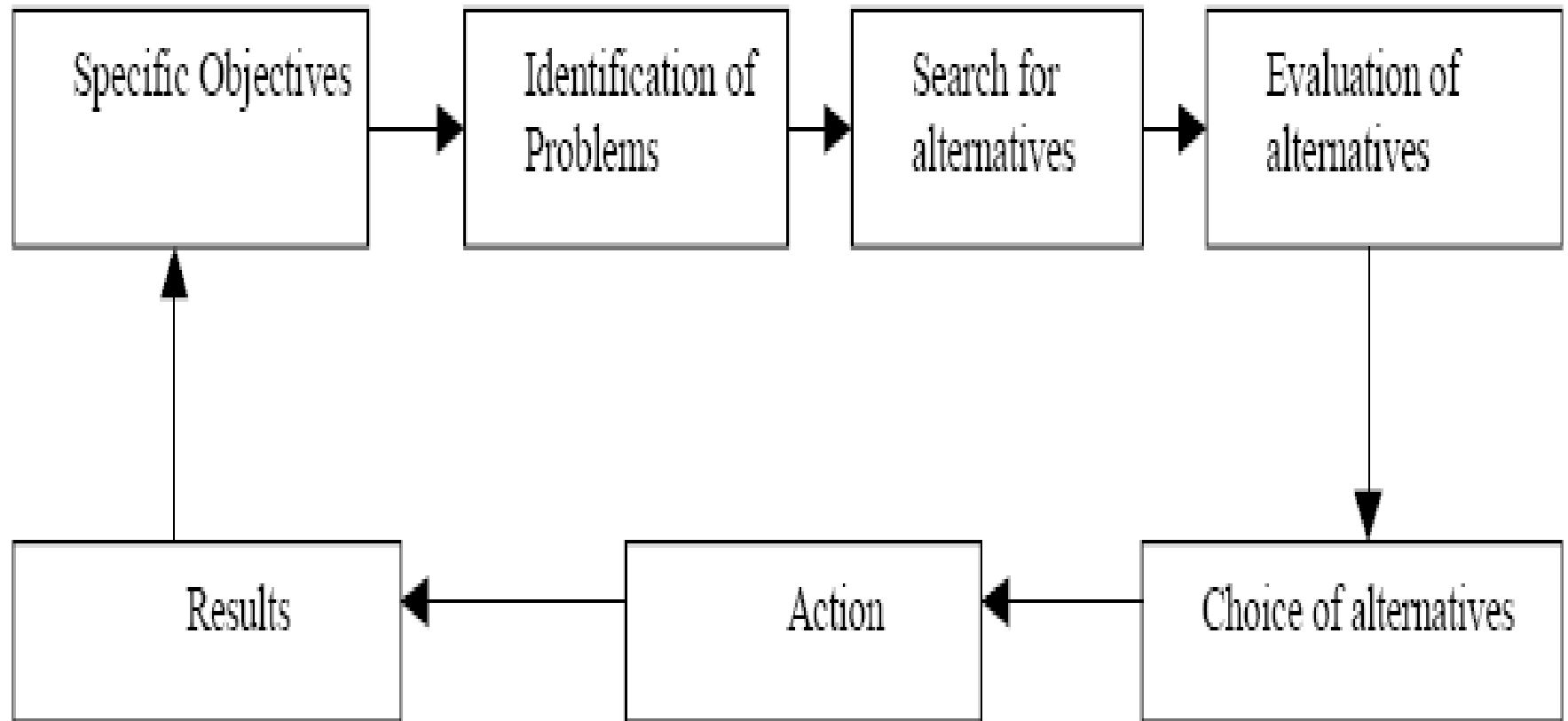
TYPES OF DECISIONS

- **Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules.
- **Non-Programmed Decisions:** are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance.

- 
- **Strategic and Tactical Decisions:**
 - **Strategic Decisions: Basic decisions or strategic decisions are decisions which are of crucial importance.** Strategic decisions a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives.
 - Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.

- 
- **Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive.

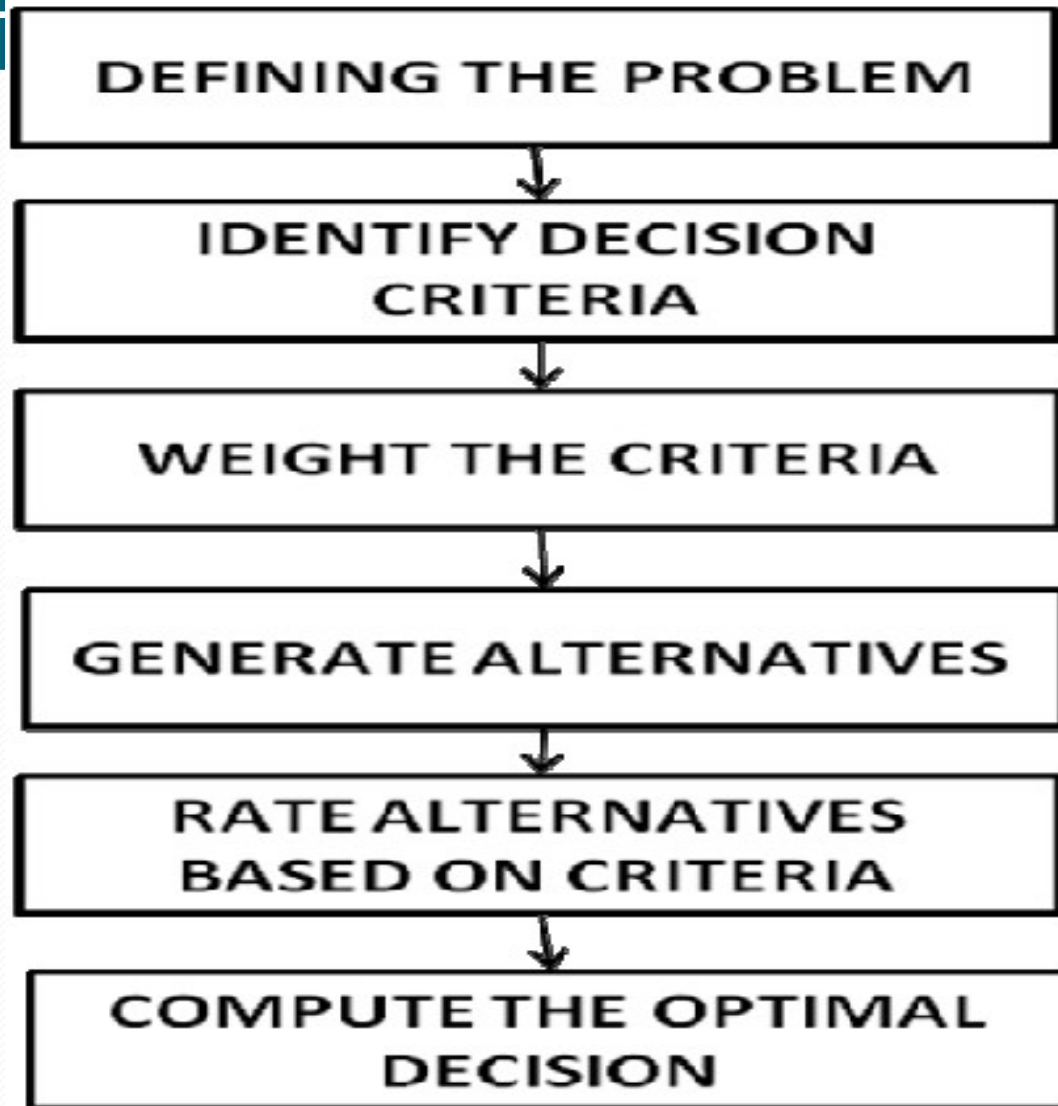
DECISION MAKING



Characteristics of Effective Decisions

- **Action Orientation:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions should ultimately find their utility in implementation.
- **Goal Direction:** Decision making should be goal-directed to enable the organization to meet its objectives.
- **Effective in Implementation:** Decision making should take into account all the possible factors not only in terms of external context but also in internal context so that a decision can be implemented properly.

The Six-Step Rational Decision-Making



DECISION MAKING UNDER VARIOUS CONDITIONS

- The conditions for making decisions can be divided into three types. Namely
 - a) Certainty
 - b) Uncertainty
 - c) Risk

Presentations

1. Discuss Organizing ?
2. Discuss Staffing ?
3. Discuss Implementing/Leading ?
4. Discuss Controlling ?
5. Discuss Monitoring and Evaluating ?
6. Discuss Decision Making ?
7. Distinguish between Management, Organization and Administration?
8. Discuss Motivating ?
9. Discuss Forecasting ?



Quiz No 1



Part two: Write 'TRUE' or 'FALSE'



EN