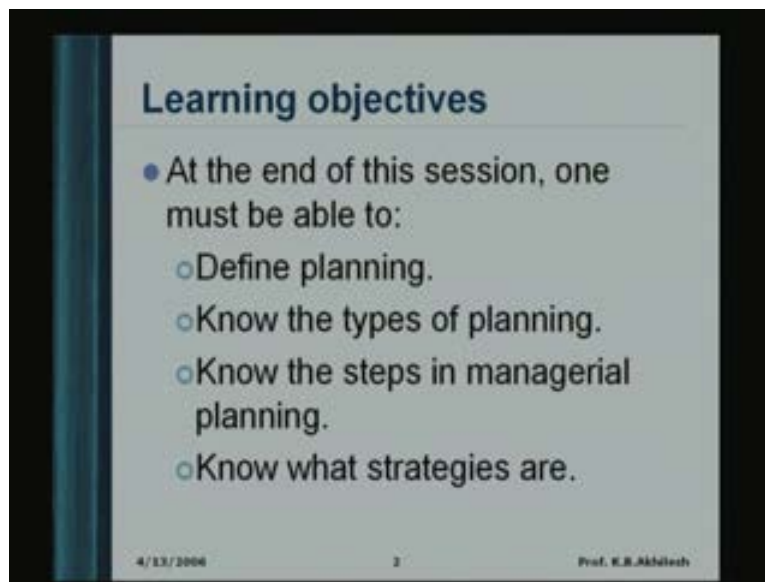


Concept of Management and Evolution of Management Thought
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Lecture – 2

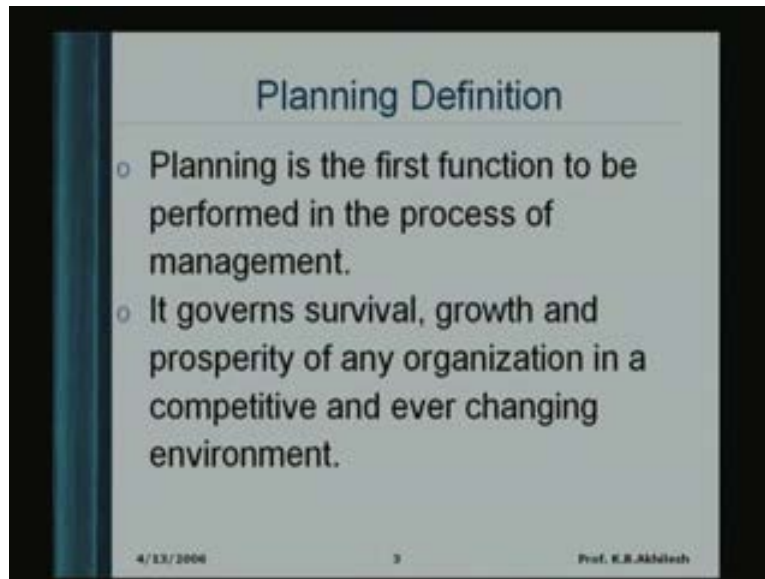
Today, we will discuss one of the important functions of management. The first function of management – planning. In this lecture, we will try to cover definition, types, the steps involved in our planning, also the various processes and also what do we mean by strategy or strategies along with the planning.

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The basic learning objectives are, for this session...at the end of this session, you would be able to define what planning is all about. You will also know the types of planning, you will also know the steps involved in managerial planning activities and you will also know what strategies are and how different organizations go about strategy formulation. So, the first step is to look at what this planning is all about.

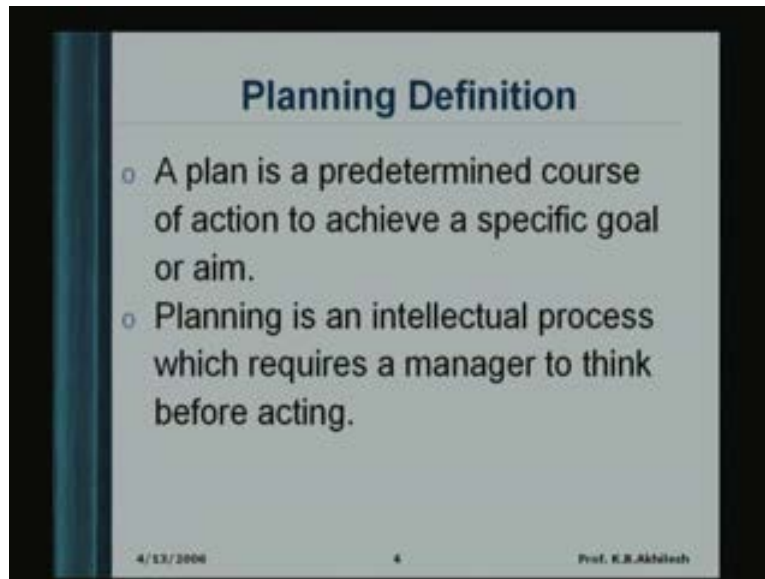
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Planning has been defined variously. Different people have viewed it. As we have seen in the last lecture like...with respect to the top management, with respect to the middle management, with respect to the lower aspect of the management; but basically, planning is the first function to be performed. Without planning, you cannot think of organizing. You cannot think of coordination. You cannot think of control. So, that is how planning has been considered as primary function of the management. It governs the survival, growth and prosperity of any organization; and that too in a changing competitive kind of a situation, the planning becomes much more important and critical. So as you see, the planning becomes a fundamental controlling aspect.

So you will always...when we talk of controlling, we always refer back to the planning; we refer back to the standards what the organization has set; and with respect to that, we would do the control functions. Similarly, when we look at leading or coordination, we again will refer back to the planning, what the organization has done and with respect to the plan, we would...we would do the coordination, we would do the controlling. So, it is in that sense, it is fundamental.

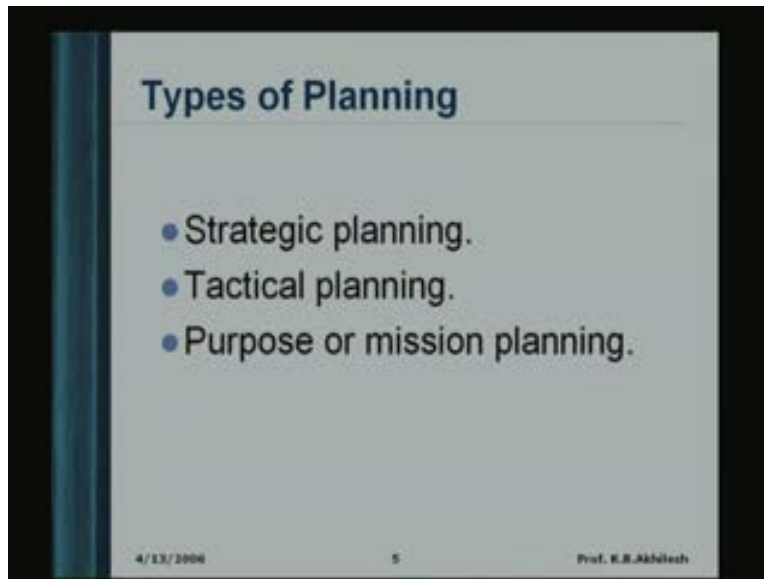
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So, a plan is nothing but, in a very simplest way, a predetermined course of action to achieve the specific goals or aim. So, the aim, goals, vision, mission, these are all the key words when we look at planning as a fundamental activity. Planning is also an intellectual process. This is what many have defined which requires a manager to think before acting.

So, that means you, you are going to look at the future. You are going to generate alternatives. You are going to evaluate the best course of action and then, also design different steps to achieve those goals and get that required agreement or commitment of those people who are going to implement those plans. And you would do all that before even you start off or you start implementing. So, it is in that sense, the planning is also seen as an intellectual activity.

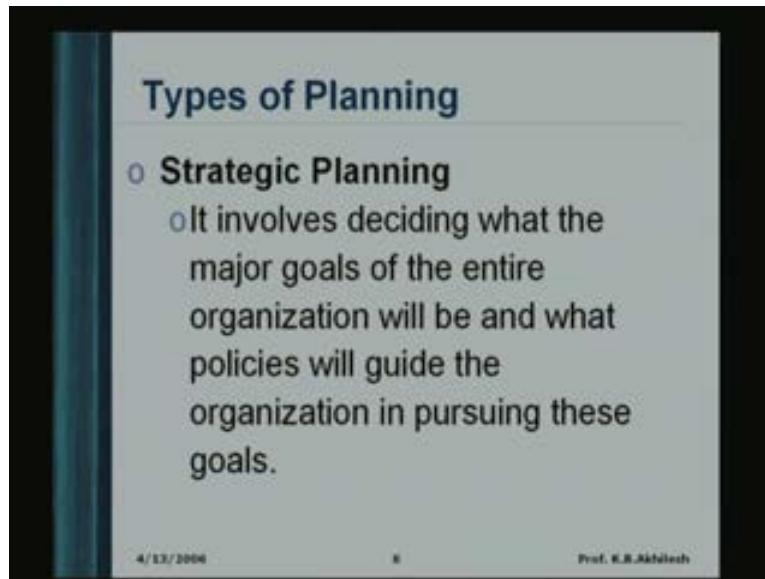
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So, the planning if you see, one can look at as a strategic planning. The strategic planning basically comes from the view that organization takes position, long term view of what needs to be achieved. So, the long term and top management driven, gives the view of what is known as the strategic planning. Similarly, when you look at short term, where you would do quarterly or half yearly, where the time given is much more shorter compared to the long term, it is also used as a tactical planning; and when you also see the future positions, like a company would like to be the number one in that particular industry in terms of the market share or it could be the number one to attract the best talent in the industry. These are all kind of a...like a purpose or like a mission planning.

So, over a period of time, organizations would like to achieve that kind of a position. So, that is how we see when you see the times...the types of planning can be classified based on the purpose, the strategic view of the system or it could be the tactical of this...like funds management - the sales targets to be achieved... These are much more short term, much more in terms of a 6 months to nearly...or sometimes, some of the organizations also see it in terms of the quarterly; and this strategic is the long term, much more driven by the top management.

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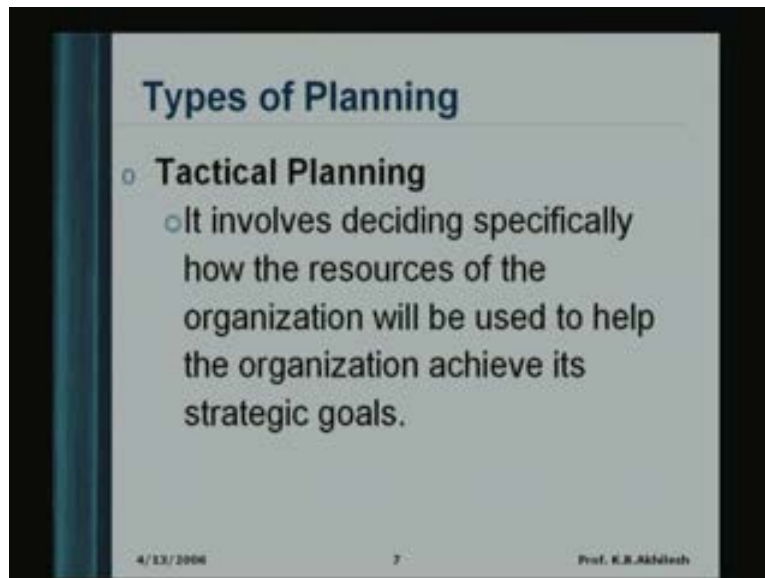
So, let us get into the details of the strategic planning. The strategic planning - it involves deciding what the major goals of the entire organization will be and what policies will guide the organization in pursuing these goals. I think when I talk about this strategic planning, people also refer to as the business model. What is the business model of the organization? Let us simplify this topic. Let me give you an example. Let us say that I will give you a basket of orange and I want you to go, sell and come back. So, when you have that, what is that you will see? So, you have a basket of oranges and then you have to make some decisions. Some decision is: What... shall I sell the whole basket at one go or should I go and sell one by one?

So, this is one kind of a view. Then, you would like to go to the market place and see what is happening there. So, you go to the market place. There are already about 20 people are selling the oranges. So then, you have to decide whether you will be the first person in that or amongst those 20 people, or you have to be in the middle of those 20 people or you would be at the end of those 20 people. After that, you also have to decide whether you would like to be away from all those 20 people and stand pretty opposite and then, then at the end or at the beginning. So, you have to make some of these decisions.

Apart from that, then you have to see what is going to be your pricing. So, should I price exactly what they are selling or should I price little less than what they are selling or should I price little more or much more than what they are selling. Further, business models comes into picture where you have to go one step beyond. Then, whether you should sell the oranges based on its quality or its price or you can always see, sometimes people sell the basket instead of the orange. So, you plan to sell the basket but less of the orange, sometimes well more. If you are very charismatic or a charismatic person, you will sell the oranges based on your smile and then both the basket and the oranges becomes less important.

So, when we see the strategic planning means, that you position yourself into the overall market and to the kind of the product what you have and an analysis of both your internal and that external strategy. Adding the strategic planning is nothing but positioning yourself and also achieving your goals based on well-articulated, well-reasoned out, well understood, steps. So, the planning becomes a clear process of establishing various steps and also understanding the means and methods to achieve those steps.

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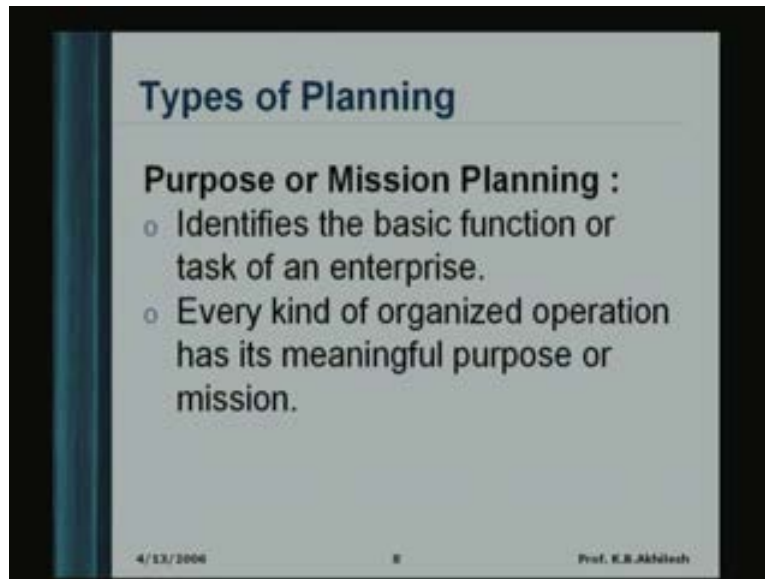


Let us also look at little bit about the tactical planning. The tactical planning - it involves deciding specifically how the resources of the organization will be used to help the organization achieve its strategic goals. So that means...so you have your strategic goals in your mind, but then you have to deal with specific conditions which will come into picture. It is like...one of the persons who wanted to establish a big hotel business mentioned to me that he had to use the money not only to bring the resources on the day one but he also had to sort out the rule making machinery. He had to get the licenses, he had to get the permissions, he had to get the required permission from the inspector or the drug inspector, in particular.

So, the point is that if the resources...suddenly we will find that whatever the thing you wanted to buy on raw materials also must be used for few other things and that time you need to make necessary adjustments both very very on a daily basis or a short term basis; but sometimes on quarterly, half yearly and yearly basis is what I said. These are called the tactical planning. Tactical planning are the kind of pressures which can come because of uncertainties which you are not able to understood or a forecast and as you are into that situation, you will see the pressures of the situations and then you will make necessary adjustments. It could be power fluctuations for a company or it could be a short supply of raw materials or it could be the work stoppages and slow down or negative things which can come with respect to the labour or the human resource, which could be very temporary in its nature or it could be semi-permanent in its nature.

So, one need to address these things; but these are heart of achieving these long term goals of the organization. So, when you address some of these short term difficulties, short term challenges or the challenges which you get across as you are passing through from one stage to the other, these are basically referred to as the tactical planning. Tactical planning and the long term planning have to go hand in hand.

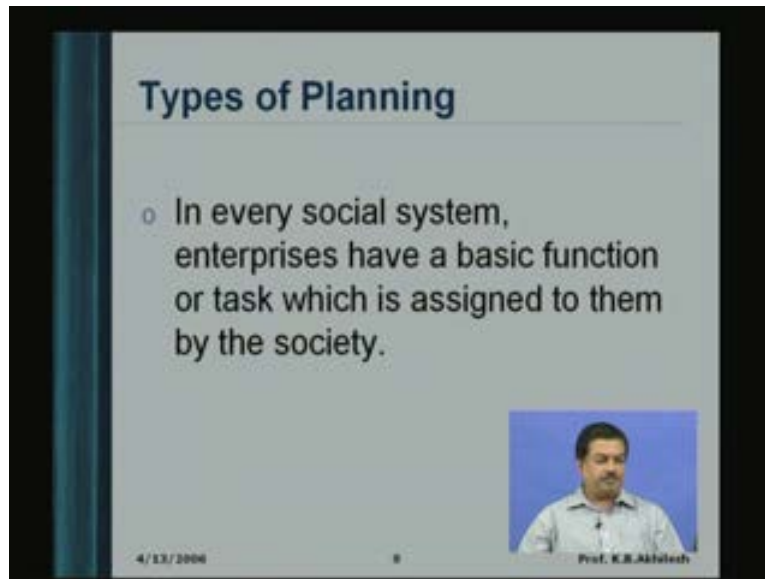
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So sometimes, we can also see what is known as the purpose or mission planning. Many a time, we do not even know some of the steps; but you want to be better than the best in the industry. So, that is all this kind of a single statement the organization can make and then...and you also want to be the best. You want to be the number one in the industry with respect to may be market share or with respect to the person who is introducing maximum number of new products, or it is possible to set yourself that you will be attracting best of the talent from some of the premier institutes in the country.

So, it could be the kind of a goal where you want to be treated as the most preferred employer. So as you set this kind of a mission, then you also start what we call it as the doing a kind of a benchmarking. So, that means you set the goals in relation to the other and benchmarking becomes an aid in planning; or benchmarking also helps you to judge how far you have achieved the set goals and also how far you are achieving the stated plans. So, the plans become a kind of an articulated, clearly laid out steps and the process...processes to meet those set goals.

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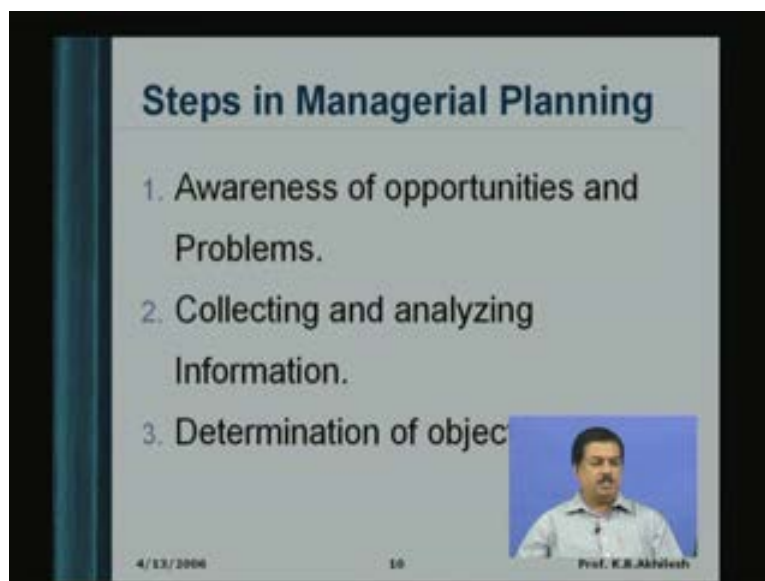
Types of Planning

- o In every social system, enterprises have a basic function or task which is assigned to them by the society.

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Let us look at the...the...When you look at the...the types...the types of planning...so, every function has to be related and then it has to be linked and sometime this planning comes because of the imposed goals of the society. So, the planning cannot be wished away without meeting the social responsibility. Sometimes, also we call this affirmative action, which can come and put some stakes on the organizational goals.

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Steps in Managerial Planning

1. Awareness of opportunities and Problems.
2. Collecting and analyzing Information.
3. Determination of objectives

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So we... let us go a little more further and let us analyze the steps in managerial planning. When we look at the managerial planning, what is that we should do? The first important thing comes...the awareness of opportunities and problems. The...people also try and give this view that you need to analyze these opportunities, problems and threat, internally as well as externally. So the internal means, you are understanding your own strengths and weaknesses in the sense, organizational strengths and weaknesses; and externally, we are looking at the opportunities and the threats. It is also called as SWOT or the SWOT analysis. SWOT analysis represents S for strengths, W for weaknesses, O for opportunities and T for threats.

So, when the organization gets into the details, it starts analyzing what are our core strengths? What are our... what is that we are extremely good at? Do we have the talent? Do we have the intellectual property? Do we have the product? Can we do things with a, with a speed which others cannot do it; or do we have the know-how which is so unique... So, the many of these things are essentially become strengths. Some organizations are good at distribution, some have some customer loyalty, some have patronage of some of the big organizations where we can do what is known as piggy banking. So, the question comes is what kind of strengths do you bring to the table; not at the individual level, but at the organizational level? Size becomes an opportunity for some time as strength; some other time it becomes a kind of a liability or becomes a weakness.

So that means you also see from these strengths; you move on to the weaknesses. So, what are the weaknesses of the organization could be? That you do not have the required talent at different levels because you could be a very young organization; or, it could be a very aging organization or you are in a technology domain where you do not understand the complete picture of the technology. So, all these situations will help you to look at what are the weaknesses of the organization. Sometimes you have a great idea; but you do not have resources to protect your ideas. Or, there is not much of money or you do not have the resources to deal with the competition.

So, the weaknesses could be many. It could be...it could vary from individual to technology to the processes to some of the brand equity kind of a thing. The brand equity is the goodwill what you have in the market place and what is that you are known for. So, all these things if you see, one need to go through in detail; the strengths and the weaknesses.

Now the question comes - when you are getting into the planning mode, should you do this individually? That is, one person in the organization or should you do it collectively? That is at different levels or all levels put together. Should you do it with the help of an external expert or should you leave it to an external agency completely? And these questions need to be done, need to be understood, when we are looking at the analysis of strengths and weaknesses.

It is desirable that it is top driven but there is participation at all levels. Because participation helps in collecting all the necessary information, in understanding the different context and meaning of the strengths and weaknesses and also pooling the ideas together, particularly when you have to generate the required alternatives to achieve the set goals.

So, the strengths and weaknesses...We also look at the other two words: it is called the opportunities and the threats. Opportunity is that what others are doing in the market place. So, that gives you a kind of a gap. So, you can know that people take lot of time and so can you address the time factor so that you give what is the other - time advantage to the people. So, people pay money for you because you save your time.

So, opportunity means you will analyze the market requirement. It can be seen in terms of what the customer wants. So, the customer requirements you can look at and prioritize those requirements; or you can also analyze what others are doing in the market place and then see what they are not capable of doing or delivering and then you need to be positioning yourself. So, when you see this positioning and understanding these

opportunities, people try and view these words what is known as the differentiation and integration.

So in the market place, you need to be different from the others. So, you need to see what is that you will do something different, something more, compared to the others. It is also called as the value addition. What is the value proposition? What is the difference you are going to make to the others? So, once you are able to understand the difference, once you are able to understand the value proposition, to that extent, your planning could be much more useful and very purposeful. Similarly, the integration is that you should also know what strengths are available in the market place. I used that word earlier - like piggy backing. So, you can also combine some of the strengths available of the bigger player and then if you are going along with that person, then it is positioning; and the planning could be much more useful.

Let us look at one example. Most of the time, you are seeing that the petrol bunks...along with the petrol bunks, you also see some of the convenient stores. So, these convenient stores, the retailing person would use it as a kind of a strategy to be there and then making available when people have little time and they can also buy these things. So, the question is that you are seeing a kind of an opportunity in the market place; how you can make use of that opportunity?

Then comes the threats. The threats could be both short term as well as long term. The threats can become because of the kind of technology and the R and D strengths that you have; particularly the markets where innovations are very common, where people are coming with new products and new services; and that is the time where the threat is...how long you can sustain your business, how long you can sustain your business with the same set of products and services.

In a fast changing consumer driven market, always people find that the threats are much more for the organization because the styles can change, preferences can change, needs can change. Certain markets where the innovations are happening, what I mentioned

earlier, that people will bring new products and suddenly we will find that your products are no longer wanted in a market place.

The threats can also come, not only because of the consumer and also because...other customers, also because of the innovation; it can also come because of the government and government policies. The threats can come because the government policies may change. It may not favor anymore small and medium sector; or sometimes, if there are entry barriers are there, the government may remove some of the those entry barriers. Government can also create some uncertainties with respect to the taxes. So, higher tax regime can also become a kind of a threat to the organization.

So, the threats can come because of the government, because of the technology in terms of the innovation and because of also that...what others are doing. Also, look at sometime...sometime it can also come from...from internally, from people. So, the threats could be...where you have an internally...the internal union which is not necessarily supporting all the organizational initiatives. So, the threats could be internal as well as external. So, good managers try to make an assessment of all these four: the strengths, the weaknesses, the opportunities and threat; but one can also see what is that you can control, what is that you cannot control.

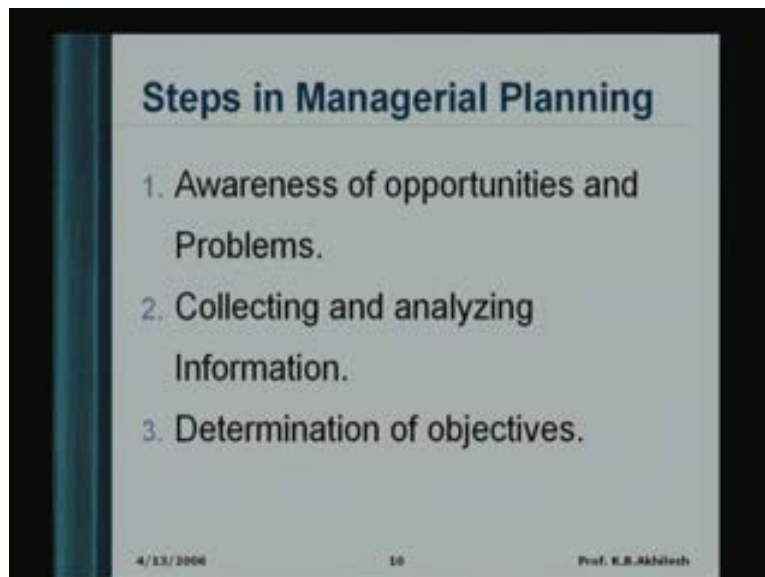
So, that means what is that you can influence and what is that you cannot influence. So, you can see some threats which may come; but you have no mechanisms of influencing. We have to take it as a kind of a factor in your planning; but sometime, you can also say, yes, you can do something about it. That means you can do lobbying if it is a government policy; if it is a competitor means, you can do some competitive intelligence and understand what exactly is happening.

So, it is...certain things you can do; but sometimes, you also see that I have no control. So, it is the question of controllable versus the uncontrollable factors; and you can also classify whether it is internal to the organization or it is external to the organization. So, this internal-external, the controllability also would bring you...we have will take us to an

important view that...do you know in terms of certainty versus the uncertainty? The uncertain means you have no knowledge of the cause and effect relationship; the certain means, the cause-effect relationship is known to you. So, when we put these factors and then try and see whether I can create a market place for my product...so then I will see whether it is going to be a push or a pull strategy. That means, the moment I go with it, I know very clearly that I have identified the gaps in the market and people will be looking and seeking for these things. So, then it is fine. You do not have to push really; but if it is such a new product where people have not seen, people have not used and they have no understanding of this; sometimes initially the push strategy may be required.

So that means, a good understanding of the market place, good understanding of the technology, good understanding of the customer in terms of all the strengths, weaknesses, opportunities, threats, controllable, uncontrollable, internal and external – all these dimensions will help you to help you to see what best can be done. So now, see...this is what we are talking about in terms of the awareness; and once you have this awareness of all these things, then you move on to the second important thing - that is collecting and analyzing the information.

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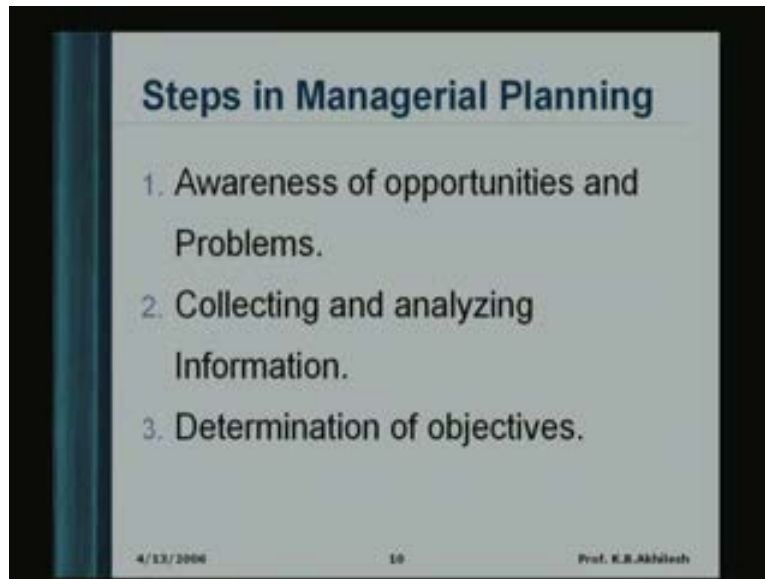
So, both collection and the analysis means we are trying to look at different methods; different methods of collection. That is you collect this information internally like a big shopping mall can collect; very... there are a number of transactions, number of things, what happens on a daily basis...

But then, they can start posing some questions; they are posing questions on the data. So, when they can ask the questions like: what are the chances if somebody buys a shirt would also buy a tie; what are the chances if somebody buys a tie also would buy a lipstick? So, the...once they understand this...so that is what we are talking about – information. So, you have lot of transactions. The transactions are basically considered as data; but then for the data, you put a question and the query and that we treated as a piece of information. So, once you have that information, then you start seeing the kind of a pattern. What is it? What are the probability or what are the chances, what is it now and what is it into the future; and that is how people talk and use these forecasting techniques. Well, these things will continue.

So, then you also have to build models. The building models would depend upon what are these buying behaviors and how this buying behaviors are influenced; both...like for example, disposable income of the family, the economic strata of the family, the social strata of the family... So, the socio-economic conditions; and it also depends upon whether the children are responsible for the buying, or whether it is a...mothers are causing this buying behavior. So, what is it like... So, that...one need to segregate some of these things and process this information for both current as well as futuristic decisions; like one of the machine building company person was telling me, that it is the growth of automotive sectors will contribute for the growth of machine building.

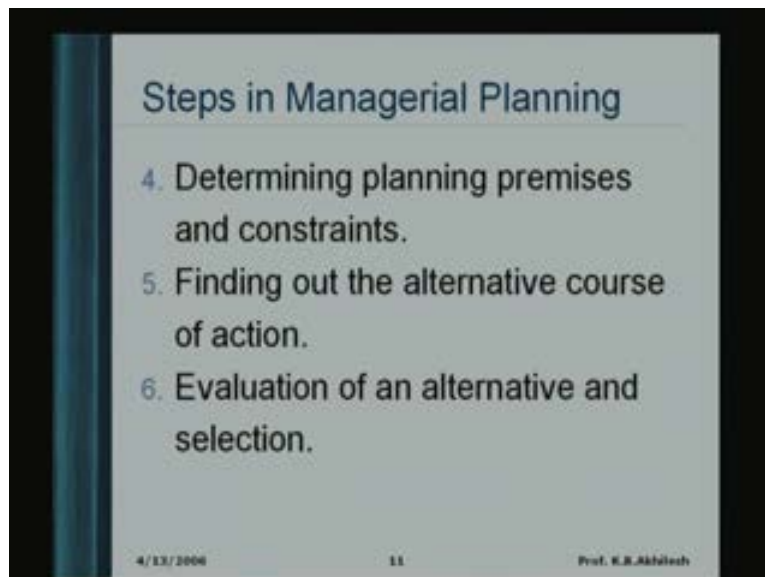
So, one need to also look at the macro-economic factors and the macro-economic changes which will have implications to the organizations. So, collecting and analyzing this information, both for short term and the long term is extremely critical for an effective planning process; and then based on all these, one need to come to the objectives.

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What the organization would like to do, what is that organization would like to achieve... We will go along and examine some of these details and also the determining the planning premises and the constraints.

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The planning premises and the constraints can come in a smaller setup, basically by the founders and the, and the entrepreneur; or it could be in a in a professionally run

organization, in the sense, where the owners and the managers are different, the managers determine the planning premises and the constraints in the sense, how much resources are available, what is the time period we can understand and how these resource is to be utilized. And many a times, the finding the alternative course of action becomes extremely important. That means lot of brain storming is required, once you have the information and once you have done the analysis. That means you have to build some scenarios. Scenarios means, if we do what is likely to happen...

So, these 'if and then' we would call this as...basically, you are trying to build scenario. So, what it takes if there are few more people will come into the picture. What it...what happens if my customers start changing their preferences? What is that if we are depending only on one major customer? Is it good or it is bad? So that means, you are always thinking at different levels, the alternate courses of action. It could be with respect to the customer, customer preferences as we mentioned, it could be about the technology or it could be about the rules and regulations of the government. So, many of these things need to be seen in 'if and then' kind of a context.

So, what people call it as the scenario building which also is an aid for effective planning. I have mentioned earlier the benchmarking, the models, the scenario building - these are all aids for good planning. We will also see the evaluation of alternative and selection of an appropriate method or the appropriate course of action. People also call it as road mapping. So, the road mapping - one can do only for technology, only for the growth of the business. So, one can see whether you would do a step by step approaches or whether you will do a vertical and backward kind of an integration or you would go on a kind of a spiral kind of a growth. So, when you see growth itself as an objective...but then you have to look at the alternatives available to you.

So, if you see for example, the Gillette. The Gillette is what? Gillette is a shaving products company. So, when the...when you see they go on a step by step process...means, so they initially, they introduce a particular men's product in one, put to the market and then they stabilize. So, there is a stabilization period and then they will go

for the next. They will introduce one more variant. From a two...twin blade to may be a three blade kind of a thing. And then again they will stabilize and see. And then they will introduce a woman product and then they will stabilize; and then they will introduce may be some shaving thing apart from the blade - some shaving brush and the shaving cream...

So, what you are seeing is the growth being an objective; then you have to...you will define the step by step - a kind of a staircase approach; or, one can also take a spiral kind of a mode where you are continuously increasing your market presence and acquiring more and more customers, more and more institutional customers or more and more individual customers. So, you will see how your spiral growth can come. Sometimes, people also call this growth as organic growth or inorganic growth. So, the organic growth is achieved either by this staircase approach or the kind of a spiral approach; but inorganic growth can come what people refer to as mergers and acquisition.

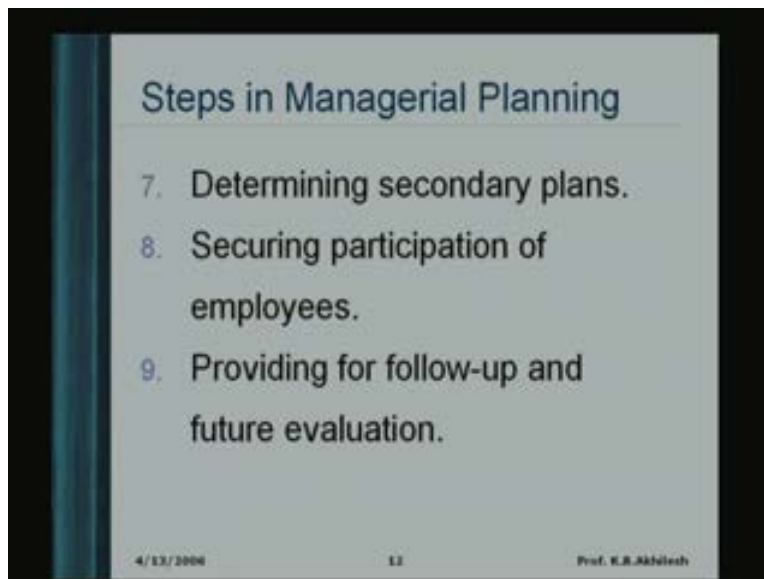
So, you take over a company which is similar to your product line. So, you do not want any competitors to be coming into the future; or you want to deal with competition very effectively, so you try and make a bid and buy off these companies. So, the merger is one kind of a thing; sometimes you also look at the...where you get going with others... So big giants sometimes combine and merge themselves and then see new opportunities for themselves. So, the mergers and acquisitions are another kind of...where we will call it as the inorganic kind of a method to achieve these growth objectives.

So, as you are seeing that even though it is the growth as the desirable position of the organization, then there are many alternative methods. It could be organic or it could be inorganic; it could be staircase or it could be spiral. It can also be vertical and our people call as the vertical or the backward or the forward integration. So, that is the time when you try and focus on your supply side or you try and see the end customer. So, in...and then try and build...so it is like, if you look at the GE as an example.

If you see, it just a started as a bulb manufacturing company; but from bulbs, they thought it is important to have electricity to use the bulbs. Then, it is...in order to have electricity, you have to have a power generation; power generation to power distribution. So, power generation, power distribution... Then it requires lot of money. So, then you also get into the financing and then banking; and GE capital kind of thing. Then you...since you know about your turbines, then why not you manufacture aircrafts? So, then you get into the engines, engine manufacturing.

So you can see, from one to the other, the organization builds its strengths and also builds its presence which we can see as vertical and horizontal or the backward and the forward kind of an integration. So, that is the...when you look at alternatives there could be many of these alternatives available for every manager and every organization and one of the fundamental things is to understand these alternatives and then evaluate these alternatives with respect to the strengths, weaknesses, the opportunities and the threats and positioning the organization towards those end goals.

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Then, you also have to see what happens...we talked about the scenario planning; so, determining some of the secondary plans. If not, if you are able to do something, what is

that we can do as the next best alternative? So, you are trying to deal with uncertainties. The secondary plans become extremely important where the rate of change in the environment becomes an important or a dominant pattern. Similarly, whether your environment is homogeneous or heterogeneous, homogeneous with respect to the customer, homogeneous to...in terms of the demands of your products and the services; heterogeneous we are talking about many customers or many suppliers, kind of.

So, in a homogeneous environment, where you have a single supplier...heterogeneous means you have a multiple supplier or you have a single customer to which you supply everything. So, that is how the growth of that single customer, the performance of that single customer, becomes very very critical to you. Similarly, when you have many means, you are talking about heterogeneous kind of a situation. So, you have a heterogeneous customer situation. To that extend, you know your risk is less, complexity is less, uncertainty is less. So the question comes: should you have a loyal single kind of a buyer from you so that is how the... where the complete assurance is there, but it also comes...what happens if the person or if that organization, if that one single customer gets affected because of some other market conditions.

So these ancillaries...when they are planning, usually they get into the situation; much more than what happens to them, they need to understand what happens to their...the customer to whom they are all building the products and services. So, it is in that sense when we have to see the secondary plans. Secondary plans are totally dependent upon the rate of change in the organizational elements which can also be characterized in terms of the homogeneous versus the heterogeneity and together they define whether the environment is very static or dynamic; static where things are not changing and dynamic means things are changing very rapidly.

So, very clearly you get four positions: so you can have very static, homogeneous kind of an environment situation with respect to your supplier; it could be your financiers, it could be about the customers and it could be...at some other time you will see it is heterogeneous, but heterogeneous but still static. So, the static homogeneous or static

heterogeneous... So, this static heterogeneous - there are several people, several suppliers or several customers but things are not changing. That is, time rate of change is slow or time rate of change is very fast; so the...you have dynamic situations.

So, get these four things: homogeneous versus heterogeneous; both, it could be static, and another it is the dynamic homogeneous or heterogeneous. Dynamic homogeneous means you have a single customer but the requirements are changing fast; fast changing in terms of the technology deployment kind of a thing. But in a heterogeneous...and also it is the dynamic means, it is extremely complex because several things are changing and changes are coming with respect to too many dimensions.

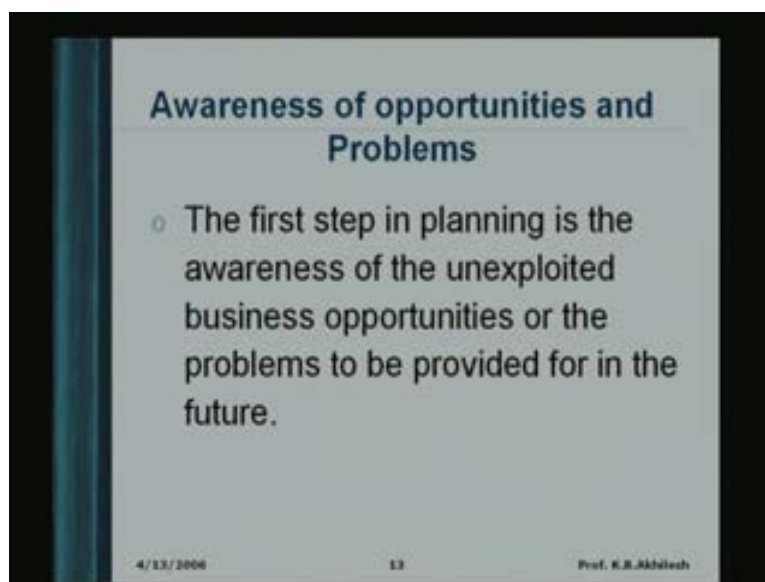
So it is in that sense, the secondary plans are basically suggested for those organizations which are addressing heterogeneous and the fast rate, fast changing situations, particularly what we call the dynamic situations. Once you have all these scenarios - understanding, analysis, benchmarking the models, the cause effect relationship, an assessment of both internal, external, strengths and weaknesses, the opportunities and the threats and a clear perception of what is that you control, what is that you cannot control? Adding...that is the time where you should also make sure that the employees are understanding, participating, in this process.

So, when you see this securing participation of employees, three levels of things are extremely important: one, their awareness. Unless they have a clear understanding, appreciation...so that is one kind of an exercise good planners need to do. The second part is the acceptance. Many times if they are not participating in generating the alternatives, if they are not doing the brain storming... So I mentioned many of the aids to the planning. I mentioned to you models, mentioned to you the benchmarking. So, brain storming is another aid to the...is one of the aids to a good planning exercise. Particularly, employees need to do this brain storming. Brain storming is also considered as one of the basic tools of creativity. They are able to see the data, they are able to have the required understanding and the perception and able to look at the details in different fashions and then arrive at a course of action. All these are participation.

So, this participation process would always help in getting the commitment of the employees, commitment of the managers at different levels to do effective implementation. So the implementation aspect can come through these first processes - awareness and acceptance. So, what we are talking really is awareness, acceptance and commitment. So, participation is an important element to achieve these three things. Also, look at the providing for follow up and future evaluation; any amount of planning one would do because of the nature of industry, because of the products and the services what the organization is providing, the size and complexity, internal as well as external to that organization, makes it necessary to plan a step by step process of looking at various steps of the set goals, and also making sure whether you have achieved your...those goals or not; or whether you are in the right direction to achieve those goals or not. One cannot have a surprise only at the end.

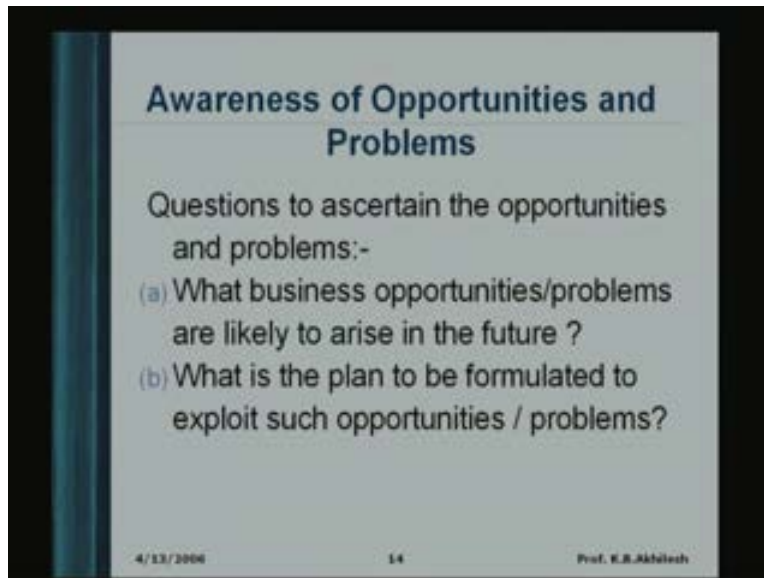
So, it is in that direction one need to see the steps also need to provide for good follow up, good review processes to understand the direction in which you are proceeding and making assessments. It is also called as providing for some grades. Grades and measures are providing different levels of reviewing; it is an important step one should do and one should achieve at the planning level itself.

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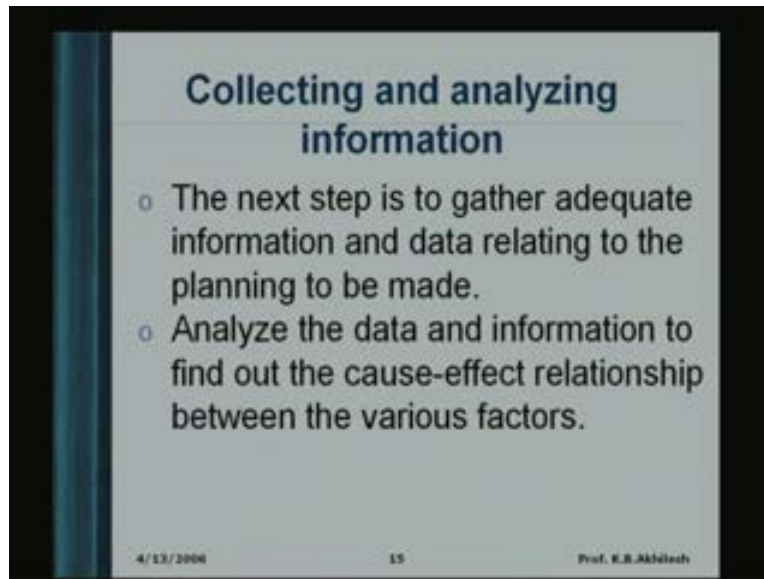
Let us also look at the... how one would go about in terms of the awareness of these opportunities and problems. As I mentioned, one need to see the unexploited business opportunities or the problems what the market place provides for the organization to address, a kind of a future requirement.

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So, one can go on asking some of these questions. Unless you ask questions, unless you understand the problems, unless you formulate a problem, good planning cannot be done. So, according to Bennie, so one need to see what business opportunities or problems are likely to arise in the future. These two questions...What is the plan to be formulated to exploit such opportunities problem, are two generic questions. But one need to ask these questions in different ways to see the future positions.

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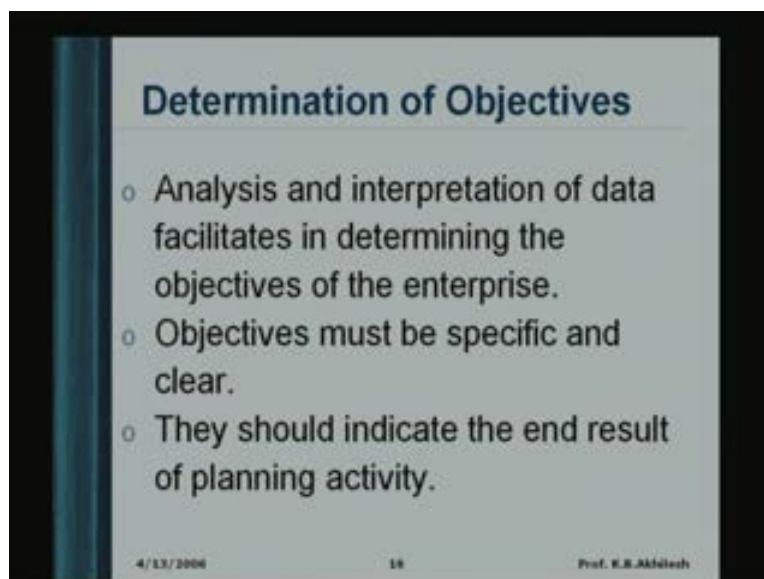
Collecting and analyzing information

- The next step is to gather adequate information and data relating to the planning to be made.
- Analyze the data and information to find out the cause-effect relationship between the various factors.

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We have also talked about the collecting and analyzing the information; as you are posing the problem, start putting this...the pieces of information together. That is how the databases become very important. Organization tries to look at the past trends and also into the future. The past trends to the forecasting; so different methods of forecasting becomes relevant. And the data interpretation...and they are looking at the objectives.

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Determination of Objectives

- Analysis and interpretation of data facilitates in determining the objectives of the enterprise.
- Objectives must be specific and clear.
- They should indicate the end result of planning activity.

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So, as you are getting into the objectives, we see very clearly...it need to be very specific and it need to be clear. The specific means, we are now creating ourselves into what position we would like to be. Here, it would be that is it - number 3, number 1, number 5, number 10. So, the organizations based on the assessment would see what is the likely probability we will move into in terms of the market position, or in terms of number of new products we are able to bring together; or we are able to do this...this kind of a cost cutting or add to the profit.

So, the profit, cost, positioning, the growth, these are all...could be the different kinds object what one can, one organization can think of setting up; but it needs to be specific and very clear. The clear objectives help getting the alignment at all levels; alignments of the people to work towards that. So, the organizations would set, for example, in a hotel industry, the room occupancy rates, as one of the very clear and very specific measurable objectives. That becomes very easy. Organization tries to achieve for 100 percent room occupancy.

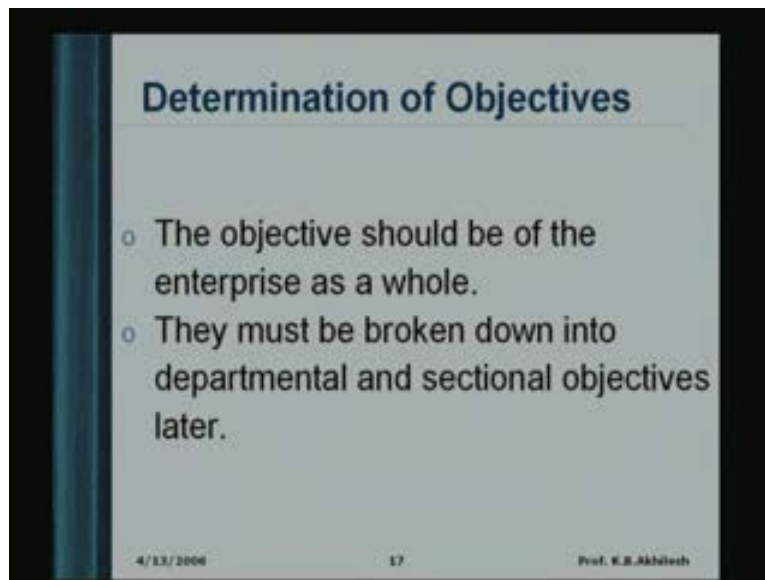
So similarly, the capacity utilization could be a useful thing for a manufacturing organization. So, how can we reach that kind of a maximum capacity? So, what it takes to do the material planning, what it takes to do the human resource planning, what it takes to do the facility planning... So, all these things are derived based on those specific objectives.

So, they should indicate the end result of this planning activity. Planning becomes perfect, planning becomes more effective, planning becomes smooth, if the objectives are specific and if the objectives are clear. But, when you ask whether the planning is first or the objectives are first, but it would need to be seen together. Sometimes the planning will lead to the kind of setting of the objectives but then objectives get refined around the planning constraints.

However, to overcome this kind of a conflict, the best is to have the vision of the organization and based on that very clearly set the objectives; and then, once the

objectives are set, you do all the required planning and then during the planning you will also understand some of the conflicting goals, conflicting things where you cannot do much and that is the time you also work on the objectives and set the realistic specific and clear objectives.

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Again, that is where you need to see the role of the objectives or the goal setting. So, the... when you see the goals are there or the objectives, it should be set for the organization as a whole. When you do the planning, it should be done first organization as a whole and then it should be broken down at the divisional level or at the departmental level or at different groups' level.

So, these departmental or sectional objectives should come later. What is important is to find and finish objectives at the goal, organizational level; however, some organizations think what is known as the top-down approaches and the bottom-up approaches to the planning.

The top-down approaches is...the goals and objectives are set based on the analysis, based on the forecasting, based on the methods and tools what I have mentioned earlier, and

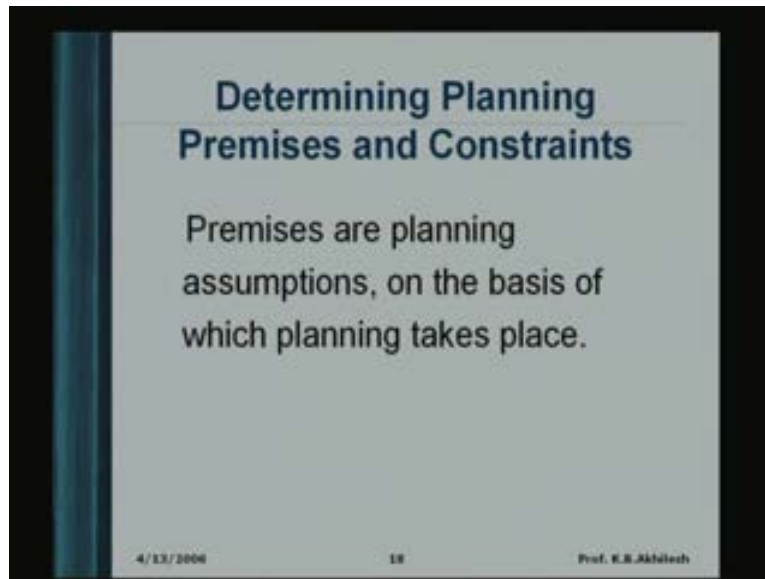
then it is broken down at different levels so that you get into the divisionalized plans, departmental plans or for different functions, the plans are worked out.

That is, opposite is also true. There are many organizations that strongly believe that you need to do the planning what is called the bottom-up approach. So, when particularly the market information are extremely sensitive and influencing, they would like to start from the bottom up approach to the...each of the level would indicate what are the possibilities, what are the goals that can be achieved and then you start aggregating at different levels. So, you start the planning exercise at the lowest level in the organization and then the aggregation is achieved at different levels and then finally the organizational plans are aggregated and finalized at the highest level.

The bottom up approaches are fine where the nature of organizational environment is much more static and the conditions are not much changing and the divisions, the departments have much more local information and they also know the methods and means to achieve the required positions of the organization at the local level. And that is the time where the bottom- up approaches are much more useful, much more effective. However, there is no one single method, either the top-down or the bottom-up approach, to the planning can be stated as the best method.

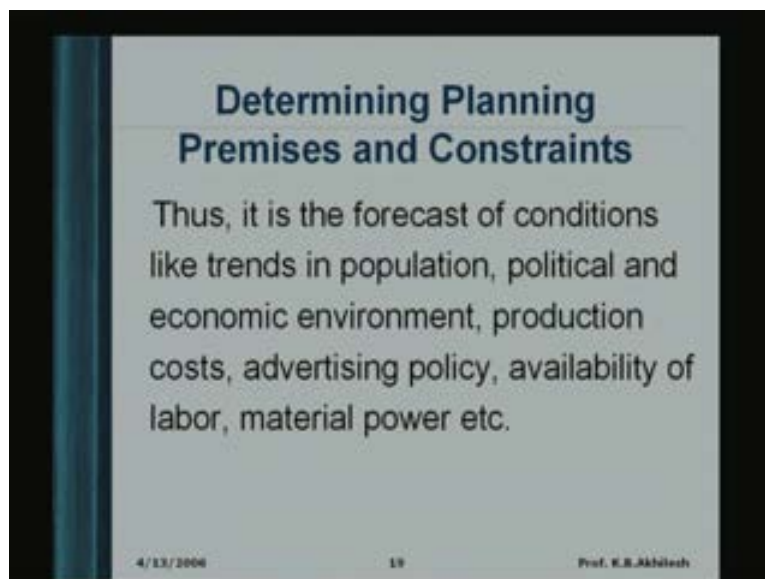
One need to look at the technology, look at the products, one need to look at the services and also one need to see at what level the critical information is available to the organization. One...and what level the perfect assessment of the situations can be made and that would lead to the approach of bottom-up or the top-down approaches. It may be necessary to bring these two approaches together and organization gets into a better planning process.

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So, the assumptions and the approaches, they go together; the premises and the constraints also go together.

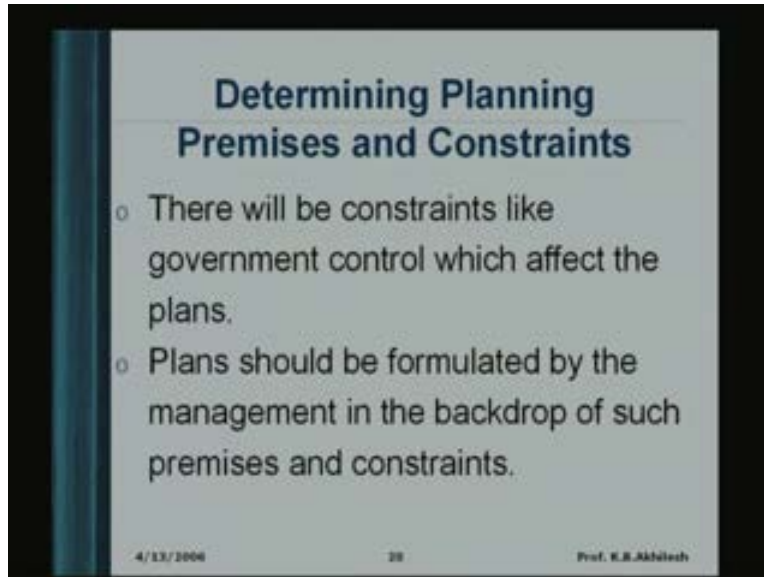
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So, the...so, when you see the forecast of conditions like trends in population, political and economic environment, production costs, advertising policy, availability of labor, material, power, etcetera...so these...each of these things would provide some kind of an

understanding, sometimes it can pose as a constraint. It can also pose as a facilitating factor. So, the planning depends on an assessment of these available things.

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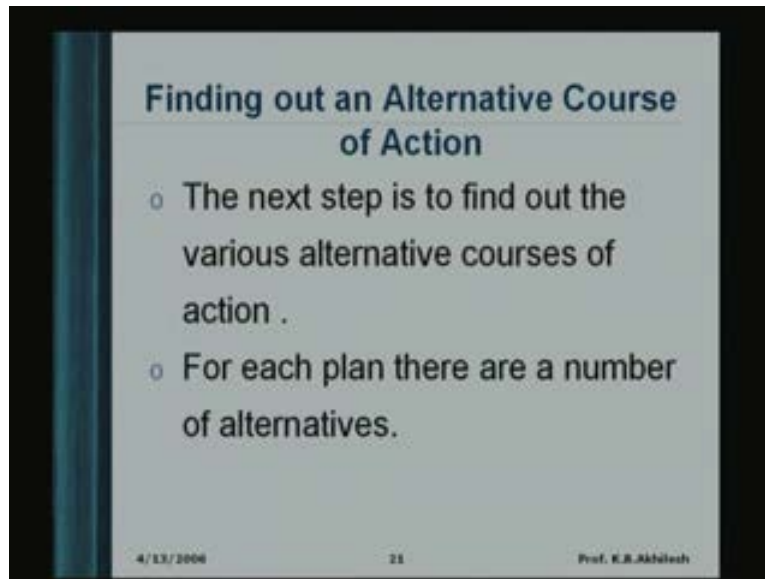


As we talked about earlier, the government control can definitely be a kind of a constraint; or sometimes, it also becomes a useful thing like public sectors enjoyed what people called as the monotony, license raj conditions in this country allow for the kind of a monotony.

So, the control helped some organizations, helped certain organizations to retain its position, also grow. Sometimes when the...these controls were liberalized, some of the organizations also complained about the level playing fields. So, the same controls which they enjoyed, they felt it is now adversely affecting their own competitiveness.

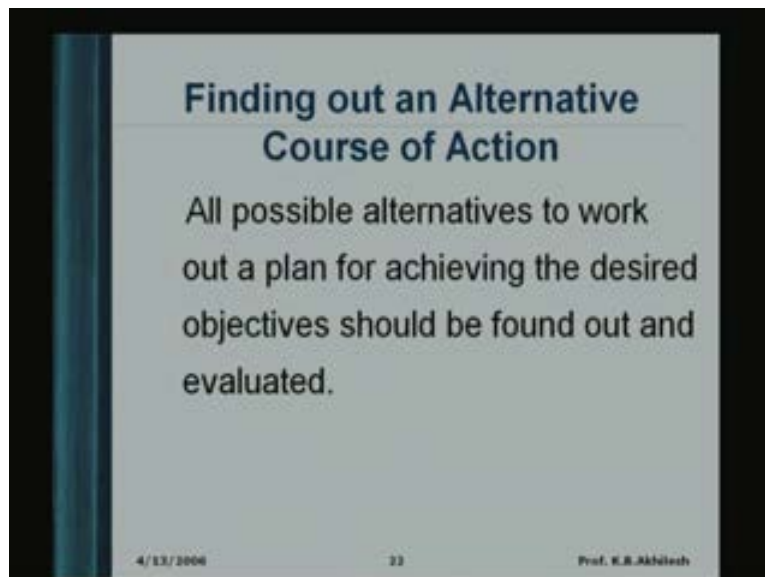
So, it is in that sense, one need to see the plans and the formulation of their policies of how the organization would view these things, both in the short term and the long term; and also the kind of constraints which we would oppose.

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I have mentioned this. The finding out the alternate course of action, the working out the details... find out the number of alternatives and making sure that all possible alternatives to work out a plan are considered and then the best course of action what is also achieved.

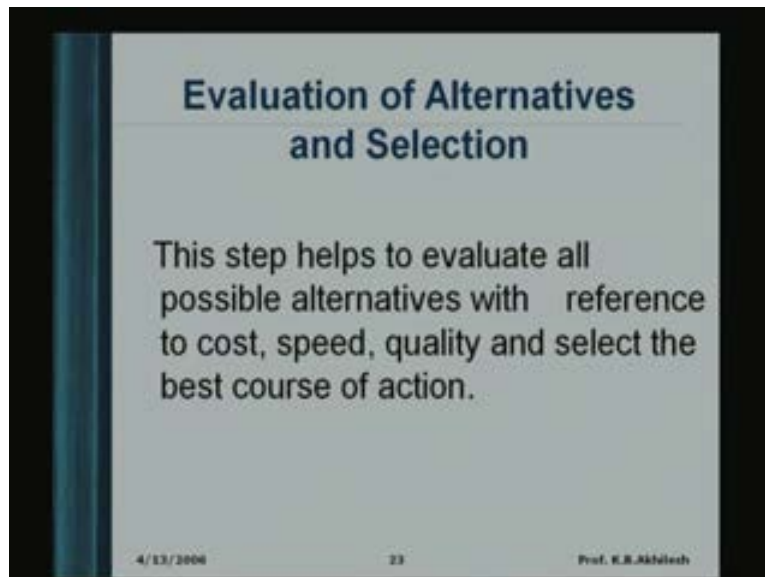
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It is extremely clear to look at what is best for the organization; what is best for the organization need to be understood, both in term of the short term and the long term.

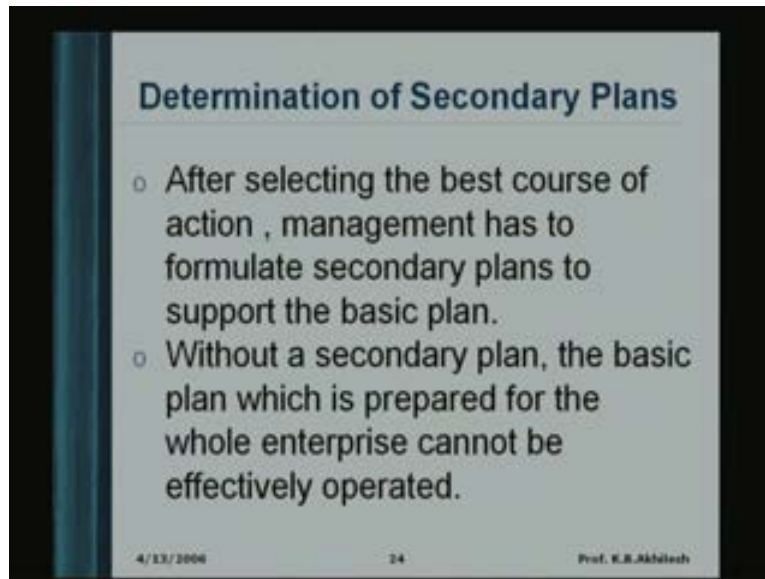
Sometimes, the organizations which are driven by innovation would like to take little risk because they want to understand the know-how, what is happening in the market place, what is happening with respect to the technology. So in the short term, you should be seen as developing capabilities, capacities, even though end results could be that they are not achieving the growth or even they may be making losses. But one...if you see over a period of years, then the learning whatever they have done can also contribute and the kind of strengths what they have built by being present in the market place can also be contributing for the strengths. So, the course of action need to be looked into both short term as well as in terms of the long term.

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However, some of these things are becoming extremely important: the cost, speed, quality would define very clearly what is the course of action; whatever it adds to the minimizing the cost, whatever it adds to the speed to the market and through which we can deliver the goods and services, and whatever it adds to the quality, one can see how to build these things and course of action need to identify. What is that will alter all the three things.

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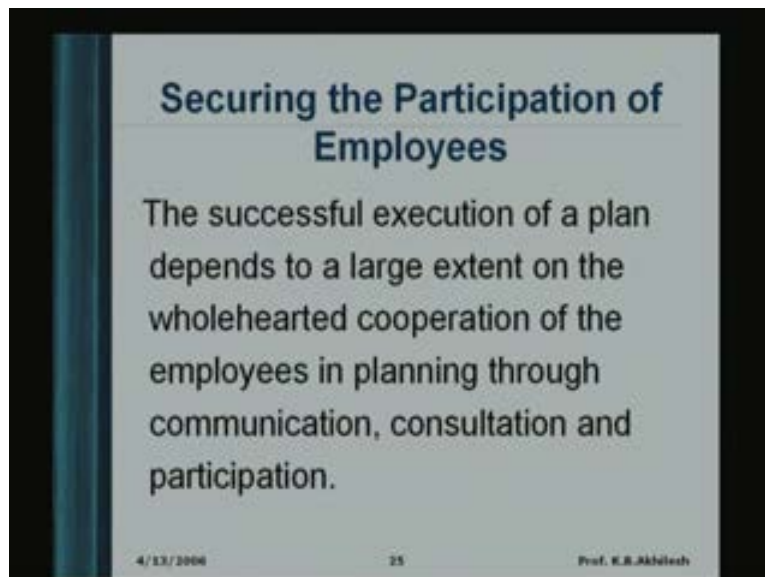
Determination of Secondary Plans

- After selecting the best course of action , management has to formulate secondary plans to support the basic plan.
- Without a secondary plan, the basic plan which is prepared for the whole enterprise cannot be effectively operated.

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Secondary plans as we have mentioned is the formulating... to support the basic plan. It should not be in lieu of or in conflict with the basic plans; and the secondary plan again, it should be organization wide and it should not be at a divisional level.

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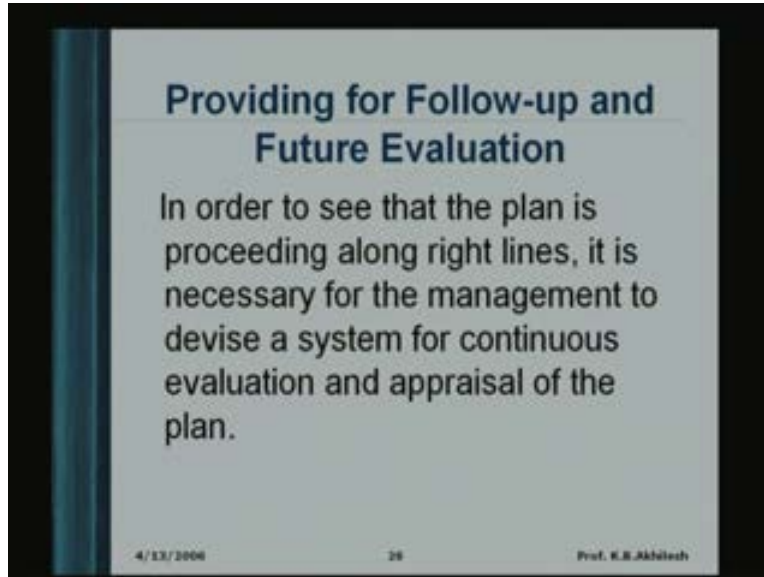
Securing the Participation of Employees

The successful execution of a plan depends to a large extent on the wholehearted cooperation of the employees in planning through communication, consultation and participation.

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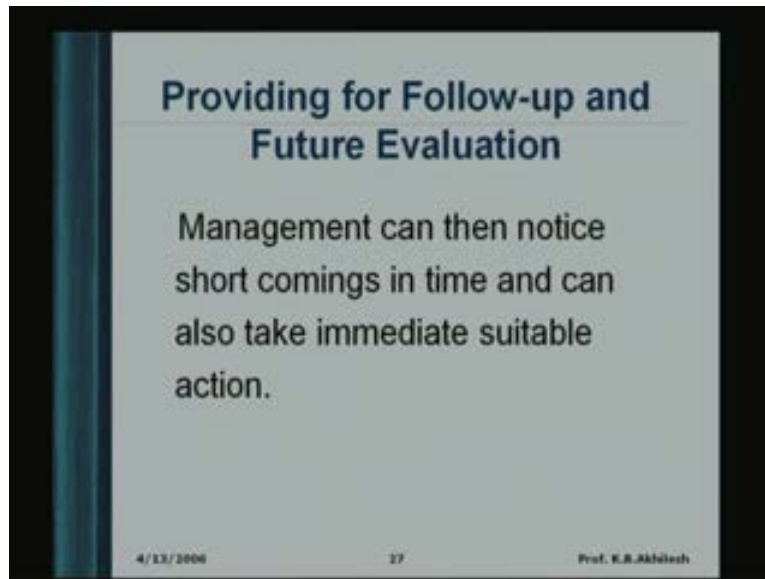
And participation of the employees...the successful execution of the plan depends to a large extent, on the whole hearted cooperation of the employees in planning through communication, consultation and participation.

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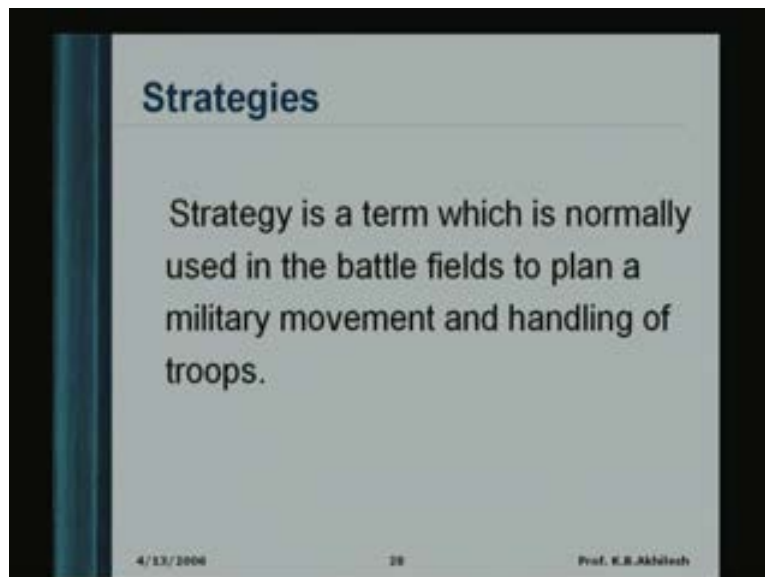
So, the providing for follow up and future evaluation, it must ensure that the...you are on the right lines; you are in the...particularly the direction is very important. And the...‘continuous’ is another keyword, continuous evaluation and appraisal of the plan.

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So, the management can understand the short comings could be because of the attitudes of the people. It could be because of the technology. It could be the kind of processes which has been strengthened or not.

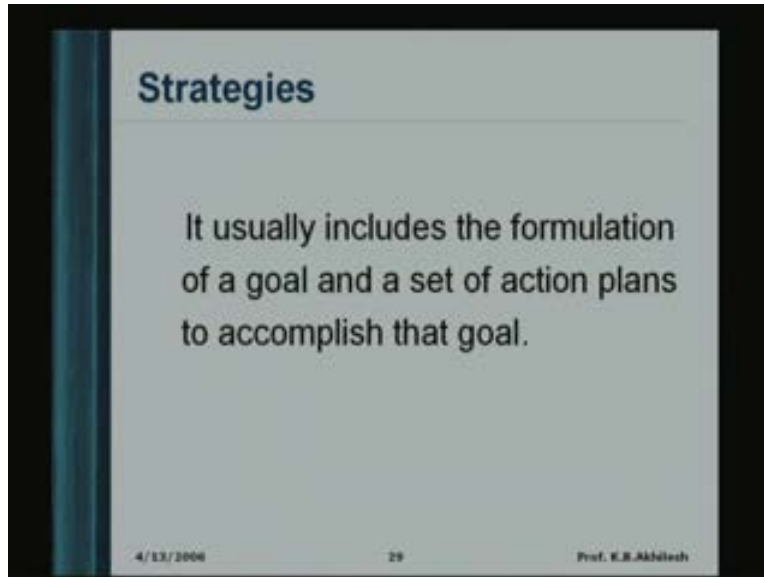
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So, it is in that sense the organizations can look at the follow up and the review as extremely critical. Strategy - I would like to spend little time. It is the term which we

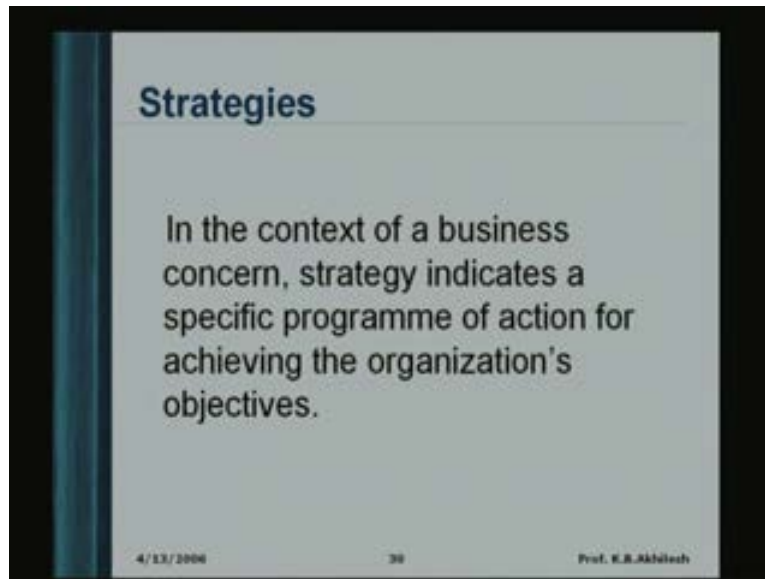
have used earlier; particularly it is used in the battle fields to plan a military movement and handling of a troops.

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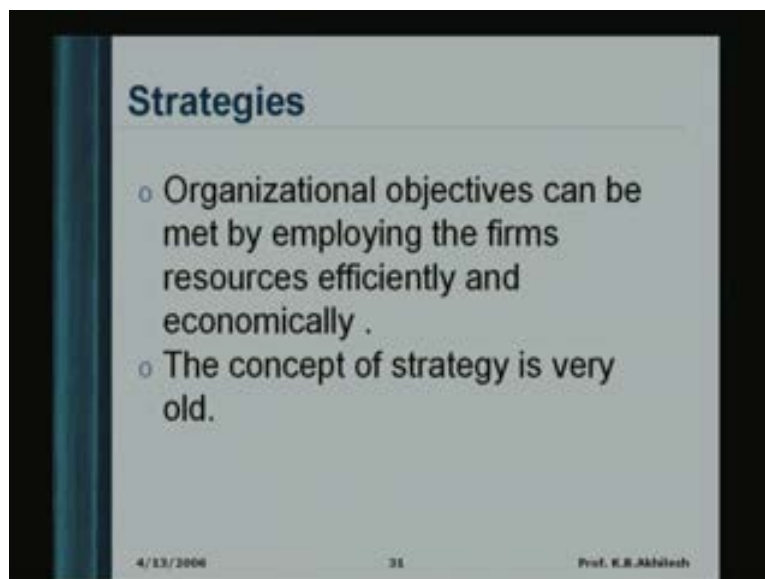
As you see, it usually includes the formulation of a goal and set of action plans to accomplish that goal. So, the **the** basic difference between the plan and the strategy is that it is basically, it is much more vision driven, top driven and indicates a future position. The plans are much more short term, based on the detailed analysis of the constraints and the opportunities and the steps to follow and achieve those set of objectives.

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So, this strategy indicates a specific programme of action for achieving the organizational objectives; it can be a value proposition.

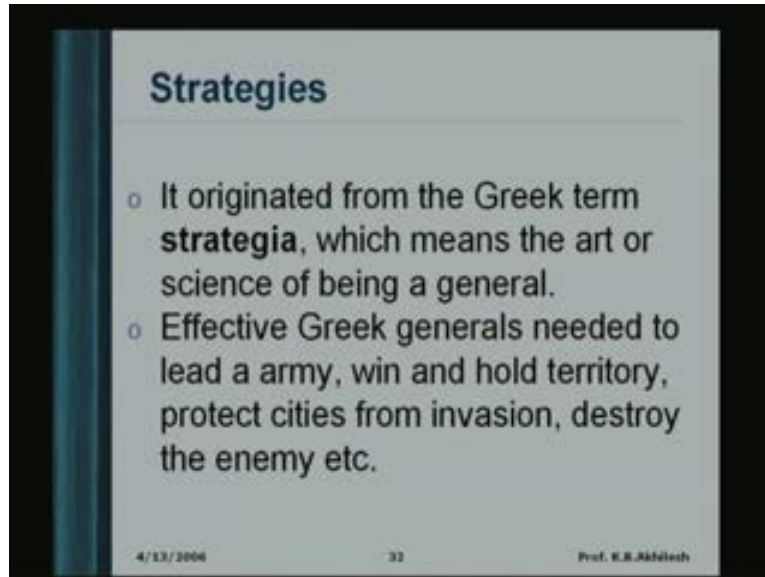
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It could be derived from the vision and the views of the entrepreneur or the owner or sometimes it is driven by the...some of the leaders of the organization. But the

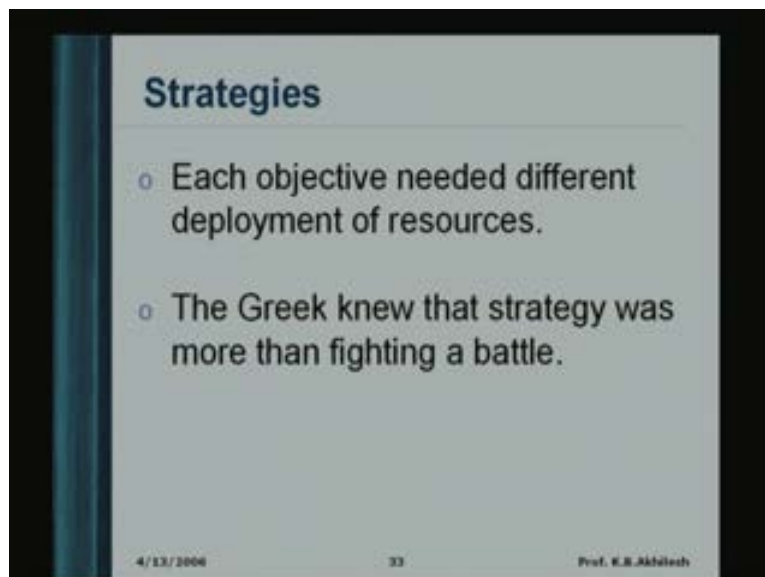
strategies...organizational objectives if you see, then you know the strategy; it could be in terms of the use of resources efficiently and also the concept.

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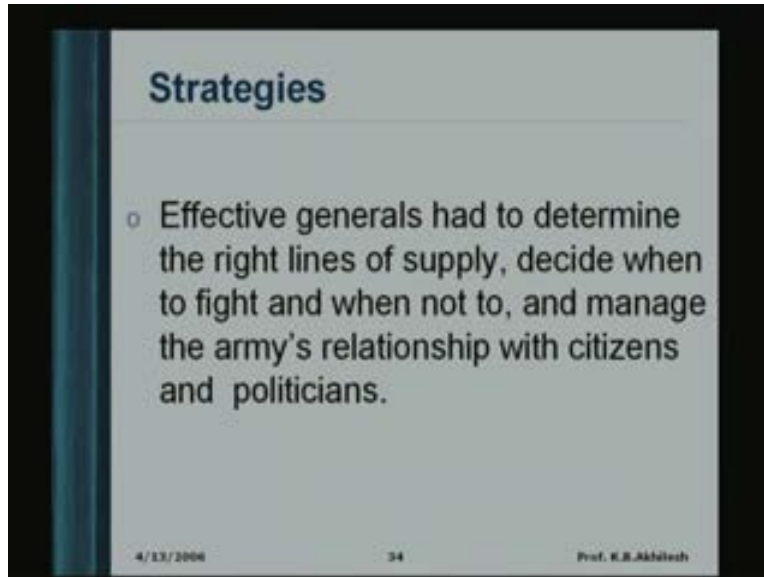
It certainly is not new but many many have used this. It is the Greek term which means the art or science of being a general. So, effective Greek generals needed to lead an army, win and hold territory, protect cities from invasion, destroy the enemy, etcetera.

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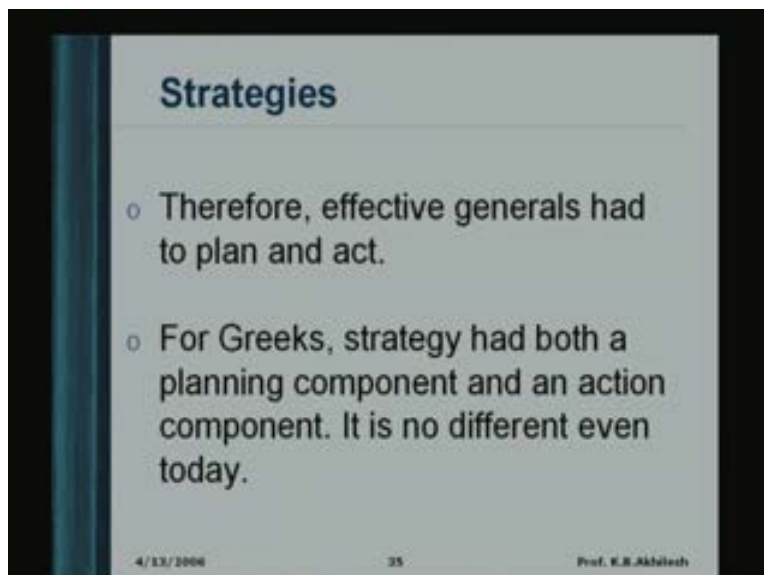
So, these are all, you know, the terms that we are using for strategy; but the strategy is that each of these objectives can be achieved in certain fashion.

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So, the specific ways of achieving this and that is how the effective generals have to determine the right lines of supply, decide when to fight, when not to, when to withdraw and when to be present.

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And therefore, the planning and action together define what the strategies are. The strategy had both the planning component and an action component; and it is both different even today.

So, with all this now, the...we will discuss about the planning and we will move on to the next topic of how to achieve the objectives and we will spend little time on management by objectives.