



# HighApproach



## NOTICE OF APPRECIATION

We, at HighApproach, extend our warmest gratitude to **Ms. Sandhya Sah** for her generous contribution of invaluable educational resources. Your efforts have significantly bolstered our goal to deliver high-quality education and support to our learners across the globe.

13<sup>th</sup> March, 2024

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## PLANNING AND DECISION MAKING

### Concept of Planning :-

→ Planning is setting an organization's goal & deciding how best to achieve.

- Ricky W. Griffin

→ Planning is the process of coping with uncertainty by formulating future course of action to achieve specified results.

- Richard Steers

→ Planning is the process of predetermining the objective & course of action to attain those objectives. Planning is an intellectual process regarding choice of what to do? when to do? how to do? who is responsible to do? etc.

### Characteristics / Features of planning

- Primary function
- Pervasive function (सर्वत्र ज्ञाने कार्य)
- Future oriented
- Continuous activity
- Intellectual work
- Flexible
- Efficiency & economy
- Actionable



## NEED / IMPORTANCE OF PLANNING

- Focus on goal
- Minimize risk
- Effective control
- Organizational effectiveness
- Economy in operation
- Facilitates coordination
- Innovation & creativity
- Protects from failure

## Levels of planning

- i. Mission
- ii. Goals
- iii. Strategy
- iv. Policy
- v. Procedure
- vi. Rules
- vii. Programs
- viii. Budget

Planning Horizon - (no limit but make in limit)

### 1. Long-term horizon

- Demand / product review
- Supply review
- Capacity review

### 2. Medium-term horizon

- Gross profit plan
- Demand plan
- Product plan
- Inventory plan



- Operations plan
- Supply chain plan

### 3. Short-term horizon:

- Demand plan
- Inventory plan
- Operations plan

### Imp Planning Process

- Step 1: Analyze opportunities
- Step 2: Setting goals
- Step 3: Setting premises
- Step 4: Determination of alternatives
- Step 5: Evaluation of alternatives
- Step 6: Selecting best course of action
- Step 7: Formulation of derivative plan
- Step 8: Implementation of plan
- Step 9: Reviewing the planning process

#### 1. Analyze opportunities :-

It is known as pre-step of planning. It is essential to make a successful plan. The management needs to analyze the strength, weakness, opportunities & threats (SWOT) of changing environment of the business.

#### 2. setting objectives :-

Determination of objectives is first step of planning. It is the basis of planning. The objectives must be specific & achievable through organization



resources. Therefore, management has to define objectives in clear manner by considering organizational resources & opportunities.

### 3. Determining of premises :-

After setting objectives, another step of planning is to determine premises. Premises are the assumptions about the factors those can affect in future at the time of implementation of plan. They provide a framework of preparation of planning.

#### a. Tangible & Intangible :-

Capital investment unit of production, unit sold, cost per unit, time available etc.

#### b. Internal & External :-

Competitors strategy, technology change, government policy, social & cultural benefits etc.

### 4. Determination of alternatives :-

The next step after establishment of objectives & premises of the planning, is to determine the various alternative courses of action for the achievement of organizational objectives.

For this purpose, it is essential to identify all the possible hidden alternatives. The information about alternatives course of action may be obtained from primary & secondary sources, management must develop alternatives through the support of experience & intellectual experts in management.



sectors.

### 5. Evaluation of alternatives :-

This is another step after determination of various alternatives course of action. Each alternative course of action should be evaluated on the basis of cost & benefit analysis. This is the logical step to evaluate each alternatives from its plus & minus points. Each alternatives is studied & evaluated in term of some common factors such as risk, responsibility planning, premises, technology etc. In conclusion, evaluation, techniques must be scientific and practical, so that one of the best course can be selected.

### 6. Selecting a course of action :-

Planning process after evaluation or alternatives course of action is to select a best course of action. At the time of selection of one course of action, management has to consider past experience, present situation, & future contingencies of such decision. In practical sense, this is the final step in the real point of decision.

### 7. Formulation of derivative plan :-

This is the next logical step after selection of a course of action. It is concerned



with preparation of detail plan. after selection of a course of action. It is essential to formulate action plans for each step of work & to all departments of the organization. This action plans involves formulation of policies, rules, schedule & budget to complete defined objectives. It is difficult to implement main plan without formulation of derivative plans.

### 8. Implementation of plan :-

This is one of the significant steps for planning. For this purpose managers provide instruction & guidance to subordination to do the assigned jobs without this step, other procedures of plan will remain as paper work. This step bring all the procedures of plan into another.

### 9. Reviewing the planning process:

The planning procedure is continuous function up to the achievement of pre-determined objectives for this purpose, evaluation of achievement of work according to the time is necessary to know about achievement of actual performance. The right decision at the right time is necessary to maintain standard of performance in practice as it is specified in plan.



## Types of planning

### 1. On the basis of hierarchy

- ↳ Corporate plan
- ↳ Tactical plan
- ↳ Operational plan

### 2. On the basis of use

- ↳ Single use plan
- ↳ Standing use plan

### 3. On the basis of flexibility

- ↳ Specific plan
- ↳ Flexible plan

### 4. On the time horizon

- ↳ Long term plan
- ↳ Medium term plan
- ↳ Short term plan

### 5. Contingency plan

### 6. Derivative plan

↓  
Options

## Pitfalls (problems) & their improvement in planning

1. Overlooking the planning process
2. Failing to distinguish btw short & long term planning
3. Picking wrong team
4. Planning meetings poorly
5. Neglecting the following-up-process



6. Mixing up strategic & operational follow-up
7. Overcomplicating the process

### Concept of Strategic planning

↳ strategic plan is a general plan outlining decision of resource allocation, priorities & action steps necessary to reach strategic goals.

- Ricky W. Griffin

↳ strategic planning is a process that involves the review of market conditions; ~~the~~ customer's needs; competitive strength & weakness; socio-political, legal, & economic conditions; technological developments; & the availability of resources that lead to the specific opportunities or threats facing the organization.

- Ivancevich, Donnelly, & Gibson

### Formulation of strategic Planning

**Step 1:** Identifying organization's current mission, goals & strategies. It is an analytical process of selection of the best suitable course of action to meet the organizational objectives. It is one of the steps of the strategic management process. The strategic plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits.



Step 2:

Analyze the external environment factors:

The next step is to evaluate the general economic & industrial environment in which the organization operates. This includes a review of the organization's competitive position. This involves (SWOT) strength, weakness, opportunity, threat analysis, meaning identifying the company's strengths & weaknesses & keeping alert over competitor's actions to understand opportunities & threats.

Step 3:

Identifying opportunities & threat:

Identify opportunities that can be capitalized & threats than an organization may face. Opportunity is the positive trends whereas threats are the negative trend & challenges to the organization.

Step 4:

Analyze the internal environment:

All conditions & forces within the organization affecting business operation are internal environments. The components of the internal environment can be controlled by the management. It consists of owners or shareholders, the board of directors, resources & organization.

Step 5:

Identifying strengths & weakness:

In the formulation of the strategic plan



it is necessary to identify the strengths to capitalize & weakness to overcome them.

Step 6:

Formulation of strategy / Implementation of strategy /  
Evaluate the results:

This is the final step of strategy formulation. It involves an evaluation of the alternatives & selection of the best strategy amongst them to be the strategy of the organization. The strategy formulation process is an integral part of strategic management, as it helps in framing effective strategies for the organization, to survive & grow in the dynamic business environment.

Types of planning

1. On the basis of hierarchy:

Each level i.e. corporate level, department level & operational level prepares plan for different purpose within their responsible area.

• Corporate plan:-

Overall vision, mission, goals & strategies of the organization are prepared by top level which are called corporate plans. They are long term plans prepared to justify the existence & growth of organization.

• Tactical plan:-



Such plans are prepared by middle level managers that translate strategic goals & plans into specific goals & plans according to departmental responsibilities.

### • Operational plan :

Such plans are prepared by the operational units to set their goals & specific actions. They are prepared to perform routine activities.

### 2. On the basis of use :-

Some of the plans are used constantly for long time while some others may have short time use & few plans have only one time use.

They are classified as:

#### • Single use plan :

They are prepared just for one time use. They are <sup>not</sup> repeatedly used & are developed to solve particular problem in particular situation.

#### • Standing use plan :

They are prepared for long time use i.e. repetitive activities like mission, strategy & goal of the organizations. They are suitable for programmed decisions & routine functions.

### 3. On the basis of flexibility :

Some plans are modified according to the situa-



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tions while some of the plans cannot be easily done. They are as follows:

- **Flexible plans:-**

The plans that can be modified according to the needs of the situation, then the plans are called flexible plans. It can be changed according to the changing situations.

- **Specific plan:-**

The plans that are more specific & can be used for a long time without change are called specific plans. They are clearly defined & have specific long term objectives.

#### 4. **On the basis of Horizon:**

Plans are usually prepared for specific time period. They are of:-

- **Long term plans:**

They are formulated for long time more than five years. Mission & strategies of organization are long term plans which is prepared to attain the organizations success.

- **Medium term plans:**

They are prepared for intermediate terms of two to four years which is prepared



By the department level.

#### 4. Short term plan:

They are prepared for less than one year & are prepared by respective units.

#### 5. Contingency plan:

It is the alternative course of action prepared in case the intended plan of action is unexpectedly disrupted or found inappropriate. When the set of plan does not work or gets failed during implementation, management need to formulate another plan or replace the plan which is contingency plan.

#### 6. Derivative plan:-

It is the secondary plans prepared for achieving the main plan. They help in implementation of main plan.

#### Pitfalls & their improvement in planning

Even though the planning is ~~imp~~ done thoroughly there could be several chances for failing the plans. Some common pitfalls are-

#### 1. Overlooking the planning process:

Planning requires enough time of executives, but executives do not spend enough time for planning the short-term & long term



plans.

For this, the managers need to develop the agenda for effective planning, dedicated time for setting alternatives & discussion with shareholders.

## 2. Failing to distinguish between short & long term planning:-

Both the short & long term plans should be prioritized. Sufficient derivative plans should be developed to maintain long term plans. In such process, short-term plans are not prioritized.

For this, the organization should balance the long & short term plans effectively. It is suggested to build a strong dedicated team of strategy planners with full sense of roles & responsibility.

## 3. Picking wrong team :-

Picking wrong members for assembling planning team result in wrong decision & wrong plan. As the team members play a crucial role in planning process.

To solve this, the team members in planning teams should be selected on the basis of experience ability & specialization.



#### 4. Planning meetings poorly:

There should be frequent & adequate meetings for developing the plans. But the participants attend without preparation, which decreases the quality of plans.

For this, the organization should establish a clear set of policies for pre-meeting preparation & participation of decision work.

#### 5. Neglecting the follow-up process:-

In most cases, management formulate plans, but do not pay attention in the follow up of the plans. It basically indicates ignoring the feedbacks which are the important factors that points the issues of the products.

For this, organization should prepare a structure for follow-up of plans, identification of scope of change or improvement, communication of changes & changes in respective areas.

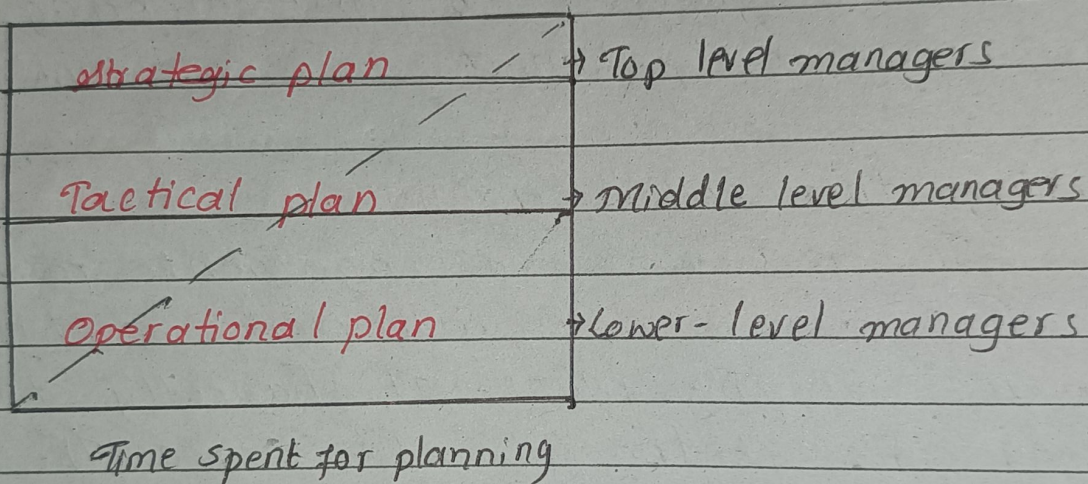
#### 6. Mixing up strategic & operational follow-up:

Strategic issues are more complex & require more time for analysis. Operational plans are prepared for short term & strategic plans are prepared for long term. Mixing them, makes plan ineffective.



For this, they should have clear responsibility for implementation & the level of plans. Operational plans are implemented by line managers & strategic plans are planned by the top & middle level managers.

## IMP Planning & levels of management



## Planning Approaches

1. Top-down method
2. Bottom-up method
3. Composite method
4. Management by objective (MBO) method
5. Team method

### 1. Top-down method :-

Under this method, plans are formulated by top-level management without or very little consultation with lower level management. Usually, mission, goals & objectives of organization are developed as plans by Executive officers & Board of



Directors by adopting this method.

### 2. Bottom-up method :-

After collecting their opinion, top level management finalizes the plans. Organizations having decentralization philosophy follows this method which gives high emphasis on the participation of lower levels in planning process.

### 3. Composite method :-

Top-level management may set the tentative plan & send each unit & branch of the organization to submit their goals. Plans formulated in this way become easy to implement because of included ideas of employees.

### 4. Management by Objectives (MBO) method :-

The core thing is that, in MBO method, there are four phases of planning process. MBO includes setting goals, developing action plans, periodic reviews & performance evaluation. This method is applicable in modern & large organizations. The MBO is most suitable for knowledge-based enterprises where the staff is quite competent of what they do. But, it consumes more time & cost.

### 5. Team method :-

Team may conduct research activities & formulate a draft plan of management. Then, top management reviews it & finalizes the plan.



## Concept of Decision Making

- ↳ Decision making is the process of selecting best course of action out of many available alternatives.
- ↳ Decision making is the process of identifying & choosing alternative course of action in a manner appropriate to the demands of the situations.
- ↳ Decision making is intended to solve organizational problem through developing, evaluating & choosing alternative course of action.
- ↳ It is continuous & pervasive managerial functions.
- ↳ Setting goals, formulating plans, formulating strategies, formulating policies, assigning jobs, etc are some examples of decision making.

## Nature / Features of Decision Making

- ↳ Continuous & Pervasive function
- ↳ Decision making is continuous & pervasive function. Organization needs to be continuous and do the things that needs to be done.
- ↳ Selective process:  
Every organization has to decide the best option. Selective process needs selective decision.
- ↳ Human & rational process:  
Human has capacity to sense, so



Decision making is made by Human. It is a rational process.

↳ Dynamic process:

Decision making is a dynamic process that refers to a process that changes or evolves over time. It's like a constantly moving & evolving system. As new information & circumstances arise, decisions may need to be revised or adapted.

↳ Goal Oriented Process:

Its focus is on achieving specific objectives or targets. It involves setting clear goals & taking steps towards accomplishing them.

↳ Continuous process

↳ Freedom to decision maker

↳ Positive or negative impact.

### Process for Rational Decision Making

Step 1: Identification of problems

Step 2: Analysis of problem

Step 3: Development of Alternatives

Step 4: Evaluation of alternatives

Step 5: Selection of best alternatives

Step 6: Implementation of alternative

Step 7: Review of implementation



## Types of Decisions

### Programmed decision :

It is a programmed decision that is made based on predetermined rules, procedures or guidelines. It is typically used for routine & repetitive decisions that can be easily standardized. These decisions are often made in response to recurring situations or problems that have clear, well defined solutions.

eg: Online Shopping Recommendations : E-commerce website often use programmed algorithms to suggest products based on your browsing & purchase history. These algorithms analyze your preferences & make recommendations that are likely to align with your interests.

### Non-programmed decisions :

These decisions are relatively unstructured and occur less frequently. Such decisions are required for unique problems & take more time, energy & resources into exploring the situation from all perspective. Intuition, experience, creativity & judgement are major factors in non-programmed decisions.

Eg: strategic business decisions, crisis management, or personal life choices. These decisions require thoughtful consideration and may involve gathering information, & considering potential consequences before making a choice.

### Routine decision :

Routine decisions are usually made in familiar & predictable situations where there is a clear set of steps



or procedures to follow.

Eg: Approving routine expenses reports, scheduling regular team meetings or following established protocols for customer service interactions. These decisions are relatively simple & can be made quickly & efficiently without much analysis or evaluation.

### Basic Decisions:

These decisions are simple & straightforward decisions that don't require much analysis or evaluation. They are typically made in familiar & routine situations where the options and outcomes are clear.

Eg:- Choosing what to have for breakfast, deciding which outfit to wear. These decisions are usually made quickly & without much thought, as they don't have significant consequences or long-term impact.

### Organizational decision:-

These decisions often involve multiple stakeholders, complex considerations & the need to align with the organizations goal & objectives.

Eg: Strategic planning, resource allocation, hiring & firing decisions or implementing new policies. These decisions require careful analysis, collaboration & consideration of various factors to ensure the best outcome for the organization.

### Personal decision:-

They are choices that individuals make for themselves based on their own preferences, values & goals. Eg: what to wear, what to eat, to more significant life decisions like choosing a



career path or where to live.

### Individual decision :-

Choice made by a person based on their personal preferences, values & circumstances. It is a decision that is specific to an individual & may not necessarily involve other people or organization.

Eg:- Choosing a hobby, deciding on a personal goal, & so on.

### Group decision :-

It is made by a collective of individuals who come together to reach a consensus or make a joint choice. It involve multiple people with different perspectives, opinions & interests.

Eg:- Team projects, organizational strategies.

### Policy decision :-

Made by organizations or governing bodies to establish rules, guidelines or courses of action. They cover wide range of areas, such as healthcare, education, economics or environmental regulation. They are often made to address specific issues, promote certain values or achieve desired outcomes.

### Operational decision :-

Usually made by managers or supervisors & involve allocating resources, assigning tasks & coordinating processes to achieve operational goals. Eg:- scheduling shifts, managing inventory or determining production levels.



## Approaches to decision Making

1. The classical approach
2. The Administrative approach
3. The Rational approach

## Decision Making Styles

### 1. Analytical style :-

Decision makers with an analytical style has much greater tolerance for ambiguity & rational way of thinking.

### 2. Directive style :-

Managers using directive style have low tolerance for ambiguity & rational way of thinking.

### 3. Conceptual style :-

Managers with conceptual decision making styles tend to be very broad in their outlooks & look at many alternatives.

### 4. Behavioural style :-

Decision makers concern about their subordinate's like & dislikes. Such managers have low tolerance of ambiguity & intuitive way of thinking.

## Approaches of decision making :-

### 1. The classical approach :-

It is a rational & systematic process based on logical analysis & objective evaluation of alternatives.

It involves:



1. Identifying the problem.
2. Generating alternatives.
3. Evaluating alternatives based on criteria.
4. Selecting the best alternative.
5. Implementing the decision.
6. Monitoring & evaluating outcomes for adjustment.

2. **The administrative approach**:- It is also known as behavioural approach, focuses on how decisions are actually made in organizations, rather than prescribing idealized decision-making processes. It focuses on factors like satisfying rather than optimal solutions, bounded rationality (cognitive limitations) incrementalism (gradual adjustments), political considerations (power dynamics) & organizational culture.

3. **The <sup>(logical)</sup> rational approach**:- It is a systematic approach that involves:-

1. Identifying the problem or opportunity.
2. Generating & evaluating alternatives based on objective criteria.
3. Selecting the best alternative that maximizes outcomes.
4. Implementing the decision.
5. Monitoring & evaluating the results.

This approach assumes that decision-makers are rational & have access to all relevant information, allowing them to analyze alternative & select the most optimal sol<sup>n</sup>. It prioritizes logical analysis & objective evaluation to arrive at the best possible decision.



SWOT : Strength,  
: weakness,  
: opportunity  
: Threat

## Conditions of Decision Making

- ↳ Condition of Certainty
- ↳ Condition of risk
- ↳ Condition of Uncertainty

## Making Decision effective

- ↳ Clear understanding on problems
- ↳ Developing sufficient alternatives
- ↳ Managers must get more relevant information
- ↳ Use of situational & rational perspective
- ↳ Sufficient discussion for decisions
- ↳ Use of tools & techniques.

## Problem Solving:

- ↳ Problem can be defined as a difficulty or an obstacle existing in a situation.
- ↳ Problem indicates a perceived gap between what is & what should be.
- ↳ Problem solving consists of the process of identifying the gap between the actual situation & desired situation.
- ↳ Problem solving is the process of identifying problem, its intensity, causes & finding the most suitable solution for it from available alternatives.
- ↳ It is an art of decision making.

## Types of problems

1. On the basis of frequency:
  - i. Routine problems
  - ii. Exceptional problems



## 2. On the Basis of Timeframe

- i. Short term problems
- ii. Medium term problems - below 5 yrs
- iii. Long term problems - long situation

## 3. On the Basis of impact:

- i. Partially impact problems
- ii. Overall impact problems

## 4. On the Basis of Urgency

- i. Urgent problems
- ii. Non-Urgent problems

## 5. On the Basis of source of Problem:

- i. Technical problem
- ii. Human problem
- iii. Environmental problem

## Tools / Techniques to Aid Decision Making

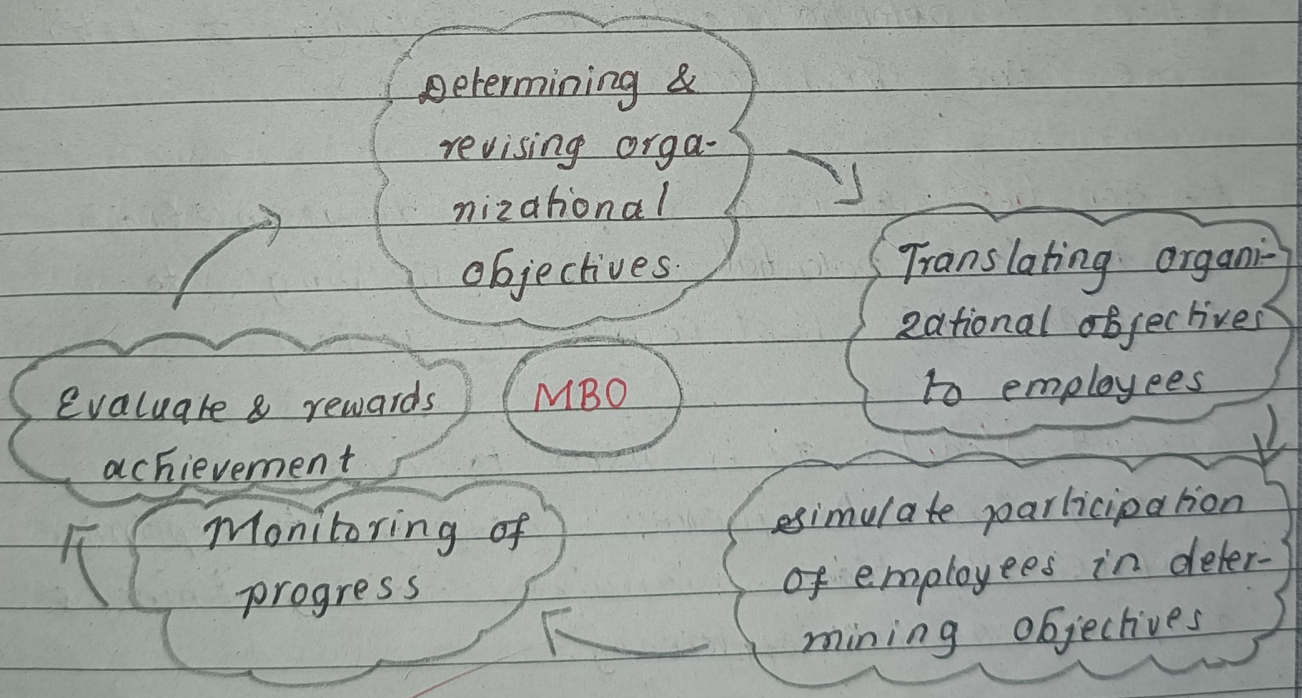
- Linear programming
- Simulations
- Inventory model
- Game theory
- Decision tree
- Financial method
- Queuing model
- Probabilities & pay-off.



## Management By Objectives (MBO)

- ↳ Management By Objectives (MBO) is a new approach for planning & making decisions in participation of managers & employees for defining the objectives.
- ↳ It is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees so that each individual gets encouragement in participation & commitment among employees.

### Steps in Management By Objective (MBO)





1. **Linear programming**: It is a mathematical technique used to optimize resource allocation & find the best solution for a problem with linear constraints & objectives.
2. **Simulation**: It involves creating a model or representation of a real-world system to understand its behaviour & make informed decision based on the simulated outcomes.
3. **Pay-off matrix**: It is a tool used to analyze decision making scenarios involving multiple options & potential outcomes, helping to determine the best course of action.
4. **Decision tree**: It is a graphical representation of decisions, potential outcomes, helping to determine the best course of action.
5. **Queuing Model**: It is used to analyze waiting lines or queues, helping to optimize resource allocation, minimize waiting times & improve service efficiency.
6. **Game Theory**: It intends to predict how a competitor will react to various activities that an organization undertakes such as change in price, promotion etc.



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7. Accounting Tools: These tools, such as financial statements & ratios, help analyze financial data to make informed business decisions.

### FIGURE EXPLANATION:

#### 1. Determination & revising organizational objectives.

The first course of action is to define your organizational objectives. The objective organization should have a clear vision, mission & value statement, concise & attainable.

#### 2. Translating organizational objectives to employees

After defining these objectives, these objectives need to translate to employees. For translating organizational objective into employee level, objectives should be SMART i.e. specific, Measurable, Acceptable, Realistic & Time-bound.

#### 3. Stimulate participation of employees in determining objectives:

For the effective implementation each employee needs to participate in determining personal objectives whatever may be the level & responsibilities of employees. By broadening the decision making process throughout the organization, each employee gets motivated to solve the problems.



#### 4. Monitoring of progress:

In this stage all the process, problems achievement need to be detected so that they can be prevented from causing severe impact. It is to ensure that the system & progress are free from abnormal behaviour of employees, & deviant behaviour during course of setting objectives.

#### 5. Evaluate & reward achievements:

MBO is designed to bring better performance & for this careful evaluation of employees performance is necessary. The good performers should be rewarded in terms of bonus, praise or promotion & the bad performers should be punished.