Principles of Management

Module 2

Importance of Coordination; Planning and Forecasting

Can we have a little bit of Discussion

- What do we mean by the term "Coordination"?
- Whose responsibility is this?
- What is the purpose of "Coordination"?
- What happens if the "Coordination" is missing?

Chapter 3 - **Coordination**

- Co-ordination is
  - the process of organizing people or groups so that they work together (properly and well);
  - the harmonious functioning of different parts/sub-groups/members for effective results
- In fact, Coordination is an abstract / essence of management. .

The purpose of coordination is

- to synchronize the functions of various sections for achieving organizational goals with minimum effort.
- It is an orderly management of group effort to provide unity of action in the pursuit of common purpose.

Need for Coordination

- In every organization, the nature of work is such that
  - it requires to be divided into homogeneous and specialized sub-tasks and then
  - **without Integration and co-ordination the output of the organization will be nil**.
- Coordination is a group effort, It motivates the employees and ensures commitment

What happens if Coordination is missing?

If the co-ordination is missing, group members may be pulled in different directions and work at cross purposes.

Is there any difference between Coordination and Cooperation?

Or

Both are same ?

Coordination *vs* cooperation

- *Though **coordination** and cooperation seem quite similar, the two terms denote quite different meanings.*

- **Coordination** is
  - integrating process in an orderly pattern of group efforts in an organization
  - toward the accomplishment of a common objective.

- **Cooperation** is
  - the willingness of individuals and it works as a Foundation for coordination.

Hence …………

- *Cooperation without coordination has no fruit* and *coordination without cooperation has no root*.

Basic features of coordination

Coordination transcends all managerial functions.

It is a :

- **Group effort :**

- **Continuous activity :**

- **Permeates all management functions :**

Basic features of coordination

Coordination transcends all managerial functions.

It is a :

- **Group effort :** Involves the orderly arrangement of group efforts. Emphasis is on unity of effort and unity of action

- **Continuous activity :** Starts with the very first action, the process of establishment of business and runs through until its closure.

- **Permeates all management functions :** It is a common thread running through all the management functions.
  - **If plans** are not properly worked - Resources are put in ineffective use
  - **In organising** -- Managers must see that no activity remains unassigned
  - **In Staffing** -- Managers must ensure availability of competent people to handle assigned duties. The organisation should not suffer because of inadequate or excess staff
  - **In directing** -- managers must synchronise the efforts of subordinates and motivate them through adequate rewards
  - **In controlling --** Managers must see that activities are on the right path, doing right things at the right time in right manner.

What principles we need to follow to facilitate Coordination?

Principles to follow to facilitate better Coordination

Parker Follet spelt some of these principles

1. **Principle of direct contact**

2. **Early stage**

3. **Reciprocal relationship**

4. **Continuity** .

5. **Principle of self-coordination**

Principles of Coordination

1. Principle of direct contact

Coordination is best achieved through direct personal contact with people.

Direct face to face contact communication is most effective.

2. Early stage

Coordination can be achieved more easily in early stages of planning & policy making.

Plans should be based on mutual participation.

Early coordination also improves the quality of plans.

Principles of Coordination

3. Reciprocal relationship

When People reciprocate the relations, avoid unilateral action: coordination becomes easier.

4. Continuity

It is an on-going or never ending process.

Principles of Coordination

.

5. **Principle of self-coordination**

If a department regulates its activates to suit other department's requirements without the other department asking for it, then it affects the particular department favorably, then self-coordination is said to be achieved.

Example : production department reducing the production to suit the sales capacity of Marketing department, even before marketing department requesting for such reduction

The process that we need to undergo to achieve good Coordination

It is possible only when the following conditions are fulfilled

Coordination Process

Coordination cannot be achieved by force or imposed by authority. It can be achieved through good working relationships.

It is possible only when the following conditions are fulfilled.

1. Objectives are Clearly defined and understood

- Every individual must understand what is expected of him by the organisation
- Top management must clearly state the objectives
- There must be commonness of purpose, in order to unify efforts
- Plans must be interrelated and designed to fit together

2. Proper division of work

- Total work must be divided and assigned to individuals in a proper way

Coordination Process (Contd..)

3. Good organisational structure

- The various departments must be grouped so that work moves smoothly in a phased manner
- Too much specialisation may complicate the coordination work.

4. Clear lines of authority

- The individual must know, what is expected of him by his supervisor
- There should be no room for overlapping of authority and wastage of efforts

5. Regular and timely communication

- Personal contact is the most effective means of communication for achieving coordination.

6. Sound leadership

Top management must be able to provide --

- A conducive work environment
- Proper allocation of work
- Incentives for good work

Want to hear form you
Some of your personal experiences
How these processes are carried out

Types of coordination

On the basis of scope and flow in an organisation, coordination may be classified as --

- **Internal Coordination :** Coordination between different departments and persons within the organisation
- **External coordination :** Coordination between an organisation and its external environment
- **Vertical coordination :** Integration of effort between supervisors and subordinates working at different levels in an organisation
- **Horizontal coordination :** Coordination between departments or positions or persons at the same level of an organization **(This is the most challenging some times)**

How to Promote Coordination Vertically and Horizontally

1. Vertical coordination

- Plan work
- Delegate properly
- Motivate people
- Monitor performance
- Earmark funds
- Ensure discipline
- Stick to a plan and ensure conformity.
- Use manuals, orders, reports and standardised procedures, where ever required
- Communicate openly

2. Horizontal coordination

- Periodical meetings
- Exchange information, on a face-to-face basis
- Underscore importance of work at various levels
- Use task forces, project managers to work
- Use standardised procedures, rules, regulations
- Create liaison roles

Case Study

- Poor Crew Co-ordination, bad approach caused Lion 737 excursion (page 63)

- **Kozhikode Plane Crash: Vande Bharat Mission :** At least 18 dead including 2 pilots in Air India Express plane crash. The development comes after the flight from Dubai with 190 people on board, including a six-member crew, overshot the tabletop runway on Friday night while landing at the Kozhikode airport in heavy rain, fell into a valley 35 feet below and broke into two, killing 18 people, including both pilots.

Chapter-4

PLANNING AND FORECASTING

- What is Planning ?
  - deciding in advance what is to be done
- What is Forecasting ?
  - *Forecasting is an aid to Planning*

Planning

- Planning is the process of
  - deciding in advance what is to be done,
  - where, how and by whom it is to be done.
- Planning is the primary function of all managers as it involves deciding of future course of action.
- Thus, it is basically a process of "thinking before doing".

Definition of Planning

- Koontz and O'Donnell have defined planning in terms of future course of action. They state that **Planning is the selection from among alternatives for future courses of action for the enterprise as a whole and for each department within it**.

- **"Planning involves defining the organization's goals, establishing overall strategy for achieving goals, and developing a comprehensive set of plans to integrate, & coordinate organizational work."**

- The necessity of planning arises
  - to operate, survive and progress in a highly dynamic economy
  - where change is the rule, changes gives rise to the problems and throw countless challenges.

Features of Planning

- **Planning is a mental exercise --** It is an intellectual exercise and involves thinking and forethought on the part of the manager.

- **Planning is goal-oriented --** Every plan specifies the goals to be attained in the future and the steps necessary to reach them.

- **Planning is forward looking --** Planning means looking ahead. It is futuristic in nature

- **Planning pervades all managerial activity --** Planning is the basic function of managers at all levels, although the nature and scope of planning will vary at each level.

Features of Planning (Contd..)

- **Planning is the primary function --** Planning logically precedes the execution of all other managerial functions
- **Planning is based on facts--** Planning is a conscious determination and projection of a course of action for the future. It is based on objectives, facts and considered forecasts. Thus planning is not a guess work.
- **Planning is flexible --** Planning is a dynamic process capable of adjustments in accordance with the needs and requirements of the situations. Thus planning has to be flexible and cannot be rigid.
- **Planning is essentially decision making --** Planning is a choice activity as the planning process involves finding the alternatives and the selection of the best. Thus decision making is the cardinal part of planning.

Steps in the planning process

1. Setting Goals:

- Establish the targets for the short and long range future.
- For example: - 25 percent growth over last year sales in present financial year. - To increase market share by 5 percent in next five years.

2. Analyzing and evaluating the environment:

- Analyze the present position and resources available to achieve objectives.
  - Where are we now?
  - What are the limitations in the environment?
  - What resources do we have?
  - Are there any external factors that can influence the objectives and there accomplishment?

Steps in the planning process (Contd..)

3. Determining Alternatives: Construct a list of possible courses of action that will lead to achieving the goal.

4.Evaluating the alternatives Listing and considering the various advantages and disadvantages of each possible course of action.

5.Selecting the Best solution: Selecting the course of action that has the most advantages and the fewest serious disadvantages.

6.Implementing the Plan: Determine, who will be involved, what resources will be assigned how the plan will be evaluated, and reporting procedures.

7. Controlling & evaluating the Results: Making sure plan is going according to expectations if not making necessary adjustments.

Approaches to planning

1) Top down approach

2) Bottom up approach

3) Composite approach

4) Team approach →

Approaches to planning

1) Top down approach:

- The top management defines the mission, lays down strategies, specifies action plans to achieve the stated goals.

2) Bottom up approach :

- If lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment will go up.

3) Composite approach :

- In this approach, a middle path is chosen to facilitate the smooth implementation of the plans.
- Here the top management offers guidelines, sets boundaries and encourages the middle and lower level executives to come out with tentative plans.

4) Team approach :

- Planning is assigned to a team of managers having requisite experience in various functional areas.
- They prepare the draft plans, and sent to the top management for approval.
- The expertise, experience and capabilities of functional heads is brought into with a participative climate.
- Which approach do you follow and you believe in ?

Principles of planning

Planning should try to incorporate some of the time-tested and inter-related principles.

1. Principles of Contribution to objectives
2. Principles of Pervasiveness : Though major planning function is entrusted to the top management, it is not restricted to the top level only. It is a function of every manager at every level in the organisation. Planning is hierarchical in nature
3. Principles of Continuity and flexibility
4. Planning should always be documented

Importance of Planning

According to G.R. Terry, "Planning is the foundation of most successful actions of all enterprises." An enterprise can achieve its objectives only through systematic planning on account of the increasing complexities of modern business.

Benefits of planning are

(a) Minimizes uncertainty:

- The future is generally uncertain and things are likely to change with the passage of time. Planning helps in minimizing the uncertainties of the future as it anticipates future events.

(b) Emphasis on objectives:

- The first step in planning is to set the objectives.
- When the objectives are clearly fixed, the execution of plans will be facilitated towards achieving these objectives.

Importance of Planning
Its use & utility
Some more details ……..

Importance of Planning (Contd..)

(c) Promotes coordination :

- Planning helps to promote the coordinated effort on account of predetermined goals.

(d) Facilitates control :

- Planning and control are inseparable in the sense that unplanned actions cannot be controlled. Control is nothing but making sure that activities conform to the plans.

(e) Improves competitive strength:

- Planning enables an enterprise to discover new opportunities, which give it a competitive edge.

(f) Economical operation :

- Since planning involves a lot of mental exercise, it helps in proper utilization of resources and elimination of unnecessary activities. This, in turn, leads to economy in operation.

Importance of Planning (Contd..)

g) Encourages innovation :

- Planning is basically the deciding function of management.
- Many new ideas come to the mind of a manager when he is planning. This creates an innovative and foresighted attitude among the managers.

(h) Tackling complexities of modern business :

- With modern business becoming more and more complex, planning helps in getting a clear idea about what is to be done, when it is to be done, where it is to be done and how it is to be done.

Steps for Effective planning

The following steps have to be taken in order to make planning effective :

- Top management support
- Clear Communication
- Integration of all the resources
- Participation at all levels
- Constant Monitoring of progress

Six rules of planning in learning organisations

- A learning organisation is one in which everybody is engaged in identifying and solving problems, enabling the organisation to continuously experiment, change and improve.

- These six principles followed in planning by Learning Org
  - Strong mission
  - Stretch goals
  - Learning environment
  - Vital information is always made available
  - Improvement is a way of life

Case Study

- Importance of Flight Planning and its Benefits
  - Page 82

Forecasting

Forecasting is an aid to Planning

In simple terms forecasting means, *"estimation or prediction of future".*

Forecasting is an operational research technique used as a basis for management planning and decision making.

Meaning of forecasting

- Forecasting is a systematic guessing of the future course of events.
- Forecasting provides a basis for a planning.
- According to Henri Fayol
  - forecasting includes both assessing the future and making provision for it.

Definition of forecasting

Webster's new collegiate dictionary defines that,

- "A forecast is a prediction and its purpose is to calculate and predict some future events or condition."
- Allen L.A., "forecasting is a systematic attempt to probe the future by inference from known facts."
- Neter & Wasserman, "business forecasting refers to a statistical analysis of the past and current movements in the given time series so as to obtain clues about the future pattern of these movements."

Features of forecasting

- It is concerned with future events.
- It is necessary for planning process.
- The impact of future events has to be considered in the planning process.
- It is a guessing of future events.
- It considers all the factors which affect organizational functions.
- Personal observation also helps forecasting.

Essential elements of forecasting

- Radfield, in a famous article in Harvard Business Review, identified four essential elements in business forecasting.
    - *Developing the ground work.*
    - *Estimating future business.*
    - *Comparing the actual with estimated results.*
    - *Refining the forecast process*

Process of forecasting

1.Thorough preparation of foundation -- The very purpose of thorough preparation of a foundation is that the forecasting is based on the foundation : i.e., thorough preparation.

2.Estimation of future -- The brightness of future period can be estimated in consultation with the key personnel & it may be communicated to all the employees of the business unit.

3. Collection of results -- Relevant records are prepared & maintained to collect the result.

4. Comparison of results -- The actual results are compared with estimated results to know deviations. This will help the management to estimate the future.

5. Refining the forecast -- The forecast can be refined in the light of deviations which seem to be more realistic.

Importance of forecasting

1.Pivotal role in an organization: Many organizations have failed because of lack of forecasting or faulty forecasting. The reason is that planning is based on accurate forecasting.

2.Development of a business: The performance of specified objectives depends upon the proper forecasting. So the development of a business or an organization is fully based on the forecasting.

3. Coordination: Forecasting helps to collect the information about internal and external factors. Thus information collected during forecasting, provides a basis for coordination.

4.Effective control: Helps in establishing an effective control on overall activities.

5. Key to success: All business organizations are facing risks. Forecasting provides clues and reduce risk and uncertainties.

6. Implementation of project: Many entrepreneurs implement a project on the basis of their experience .Forecasting helps an entrepreneur to gain experience and ensures him success.

7. Primacy to planning: The information required for planning is supplied by forecasting. So, forecasting is the primacy to the planning.

Relationship between planning and forecasting

- Planning and forecasting are closely related to each other.
- Planning is deciding in advance what is to be done in the future. Futurity is in its essence. But, future is uncertain and risky.
- Planners, in majority of cases, do not know with certainty the conditions which will exist in the future, when activities will take place etc. As a result, they are forced to make certain assumptions regarding future. Forecasting provides pertinent information for successful planning. Planning without forecasting proves to be wasteful and useless.
- **Fayol says that "the plan is synthesis of the various forecasts: annual, long-term, short-term, etc." Forecasting is the essence of planning.**
- In fact, forecasting is so essential to sound planning that it would not be an exaggeration to state that the **success of the plan depends, in large measure, upon the validity and accuracy of the forecast**.

Forecasting as an aid to planning

Forecasts are key aids to planning in the following ways.

- Forecasting offers pertinent information regarding future.
- Forecasting helps in bringing a singleness of purpose to planning, that cannot exist easily otherwise.
- Forecasting improves the quality of managerial planning.
- Forecasting helps in minimising the costly planning errors.
- Forecasting also helps in preparing the organisation for future crisis and emergencies.
- Forecasting supplies vital information regarding the weak spots in the organisation thereby paving the way to appropriate control. Once such areas are spotted, it is easy for managers to establish check posts for effective control and sound planning thereafter.

Advantages of forecasting

- *Effective handling of uncertainty*
- *Better labor relations*
- *Balanced work-load*
- *Minimization in the fluctuations of production*
- *Better use of production facilities*
- *Better material management*
- *Better customer service*
- *Better utilization of capital and resources*
- *Better design of facilities and production system*

Limitations of forecasting

- Forecasting is to be made on the basis of certain assumptions and human judgments which yield wrong result.
- It can not be considered as a scientific method for guessing future events.
- It does not specify any concrete relationship between past and future events.
- It requires high degree of skill.
- It needs adequate reliable information so difficult to collect reliable information.
- Heavy cost and time consuming.
- It can not be applied to a long period

Case Study

- Forecasting for Airline Revenue Management
  - Page 79
- Planning and Forecasting at EasyJet
  - Page 80

Organizational Structure

- Organizational structure is defined as the framework of tasks, reporting and authority relationships within which an organization functions
- It defines how job tasks are formally divided, grouped and **coordinated**
- It represents skeletal framework for organizational behavior

Elements to design Organizational Structure

- Centralization
- Decentralization
- Tall Structure
- Flat Structure
- Departmentalization
- Chain of Command
- Formalization

Identify Seven Elements of an Organization’s Structure

Key Design Questions and Answers for Designing the Proper Organizational Structure

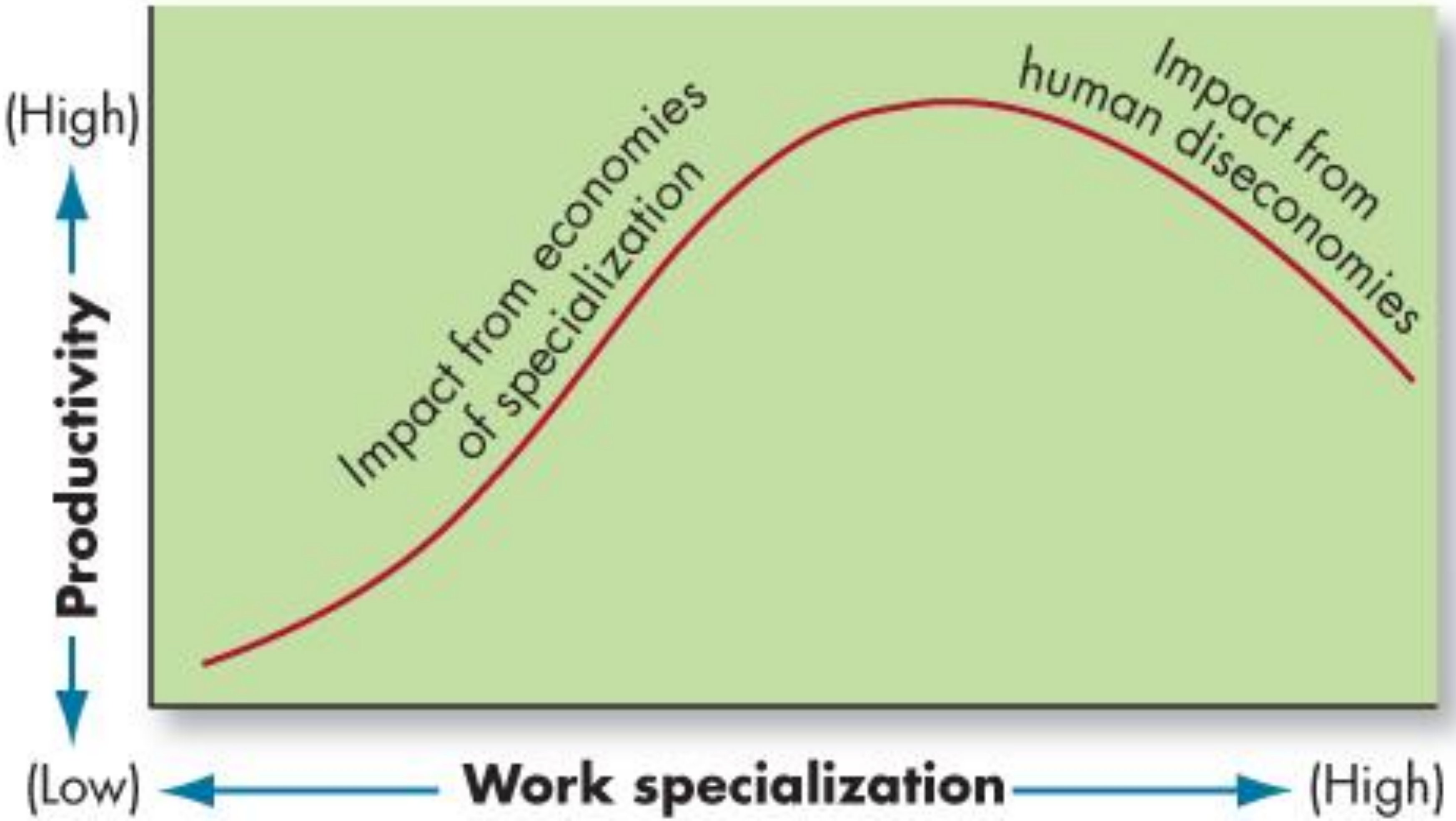
The Key Question	The Answer Is Provided by
1. To what degree are activities subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many employees can a manager supervise efficiently and effectively?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization
7. Do individuals from different areas need to regularly interact?	Boundary spanning

Seven Elements of an Organization's Structure

1. Work specialization: the division of labor into separate activities.

- Repetition of work.
- Training for specialization.
- Increasing efficiency through invention.
- Henry Ford

Economies and Diseconomies of Work Specialization



2. Departmentalization

The process in which jobs are grouped together to bring coordination among the organizational tasks is called departmentalization. The bases are:

- <u>Departmentalization by function</u>: Grouping people with similar skills into one unit (Marketing; Finance; HR)
- <u>Departmentalization by product</u>: Breaking down an organization into small, independent units(SBU) each of which produces a particular product or service (Eg LG)
- <u>Departmentalization by Geography</u>: Grouping of jobs on the basis of territory
- <u>Departmentalization by process</u>: Organization is divided into departments based on processes performed there (Eg Amazon)
- <u>Departmentalization by customer</u>: Dividing the organization into different departments based on the types of customers they serve (Corporate, Retail)

Seven Elements of an Organization’s Structure

3. Chain of command: an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

- Two complementary concepts:
  - **Unity of command**
  - **Authority**

Seven Elements of an Organization’s Structure

- The **chain of command** is less relevant today because of technology and the trend of empowering people.
  - Operating employees make decisions these days (which was once reserved for management).
  - Increased popularity of self-managed and cross-functional teams.
- Many organizations still find that enforcing the chain of command is productive.

Chain of Command and Formalization

- Chain of Command: It is the unbroken line of authority that extends from the top of the organization to the lowest level and clarifies who reports to whom

- Unity of Command: It is the idea that a subordinate should have only one superior to whom he or she is directly responsible

- Formalization: It is the degree to which jobs within an organization are standardized

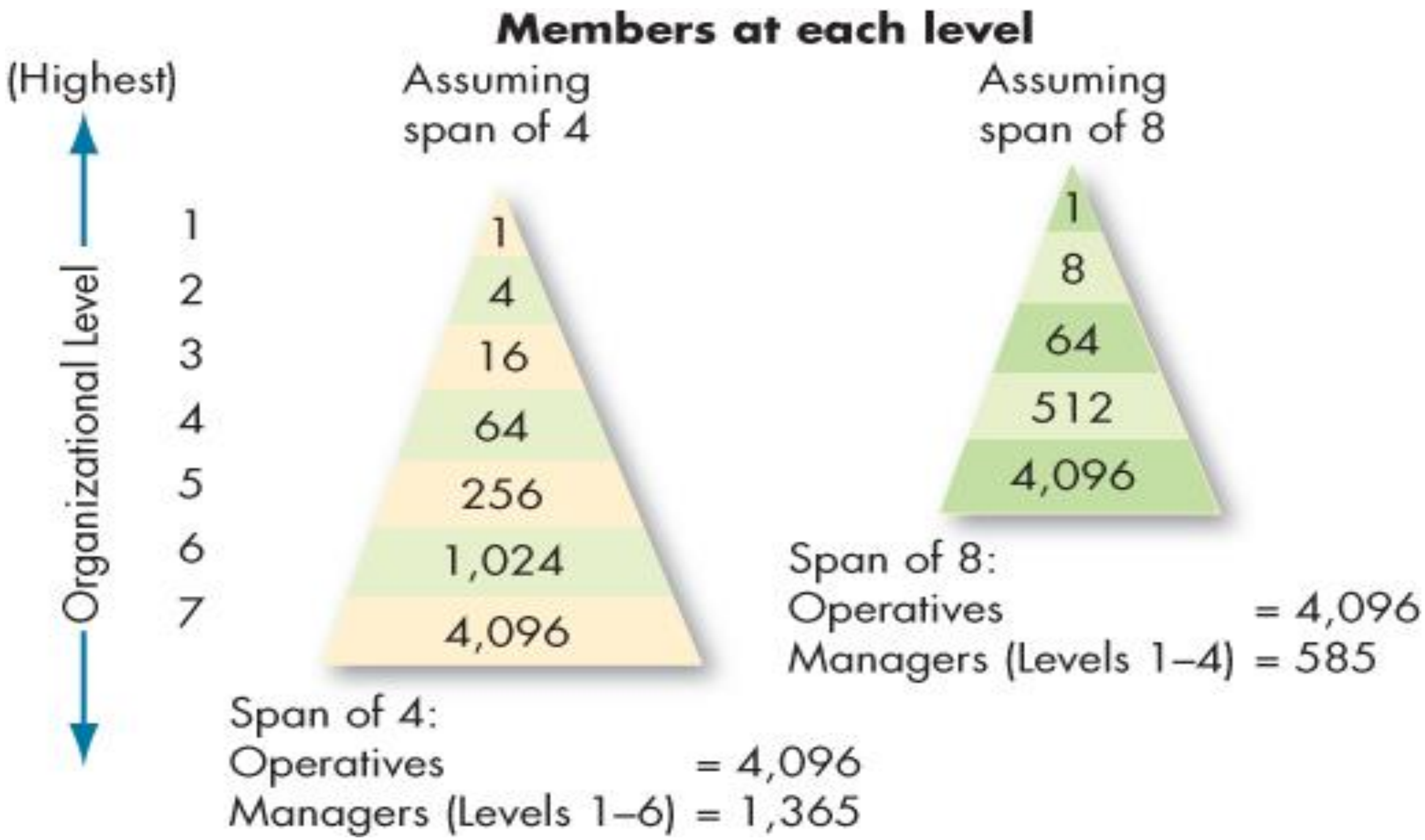
4. Span of Control- Tall and Flat Structure

- Span of control refers to the ratio of managers to immediate subordinates

- <u>Tall structure</u>: When the span of control in organizations is very small, i.e each manager is assigned very limited number of subordinates (usually not more than five), the structure is called as Tall structure

- <u>Flat structure</u>: When the span of control in organizations is large, i.e each manager has to manage a large number of subordinates, the structure is called as Flat structure

Contrasting Spans of Control



5. Centralization

It refers to concentration of power and authority at topmost level. The types are:

- Geographic Centralization: All the operations of an organization are performed in one geographic region

- Functional Centralization: There is a separate department for each function and it carries out that function for all the business units of the organization

- Analytical Centralization: It is the extent to which centralization is actually implemented in the organization

Decentralization

It refers to delegation of authority and decision-making power to different levels of the organization. The types are:

- Geographic Decentralization: Business units in each geographical region perform all the operations related to the firm

- Functional Decentralization: All functions are performed by the subsidiaries and business units

- Analytical Decentralization: It depends on the nature of managers rather than the formal policy of the organization

Identify Seven Elements of an Organization’s Structure

6. Formalization: the degree to which jobs within the organization are standardized.

- A highly formalized job means a minimum amount of discretion.
- Low formalization – job behaviors are relatively non-programmed, and employees have a great deal of freedom to exercise discretion in their work.

Identify Seven Elements of an Organization's Structure (10 of 10)

7. Boundary spanning occurs when individuals form relationships with people outside their formally assigned groups.

- Positive results are especially strong in organizations that encourage extensive internal communication; in other words, external boundary spanning is most effective when it is followed up with internal boundary spanning.