Introduction to Management

Module 2

Coordination; Planning and Forecasting

Chapter 3 - **Coordination**

- Coordination *is the basic cementing force in an organisation*.
- To achieve goals, managers have to combine all the resources available for them (human as well as material resources) in an effective manner.
- Coordination pulls all the functions and activities together. It brings unity of action and direction.
- In short, it is crucial to the success of any organisation.
- Coordination is defined as “the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose”.

Basic features of coordination

Coordination transcends all managerial functions.

It is a :

- **Deliberate Effort :** Implies deliberate efforts to bring unity of purpose.
- **Group effort :** Involves the orderly arrangement of group efforts. Emphasis is on unity of effort and unity of action
- (Thus, there is no need for coordination, when an individual works in isolation without affecting anyone's functioning).
- **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.

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 works as a Foundation for coordination.

Hence ………..

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

Differences between Coordination and cooperation

- **Status:**
  - Coordination is a necessary function of management. It is actually, the epitome of all management functions.
  - Cooperation is more of an attitude of an individual and group than anything else. Cooperation, however, is essential for successful coordination.
- **Deliberate:**
  - Coordination is the deliberate and intentional effort of the manager.
  - Cooperation, on the other hand, is voluntary, Manager can function, even without cooperation, but cannot function without coordination.
- **Nature of work:** The nature of work in every organisation is such, that it needs to be divided, and then integrated.
  - Coordination of all independent activities is highly essential and important.
  - Cooperation does not arise out of any limitations of structure and organisation. It is required all the time. The individuals learn to cooperate with each other, eventhough their activities are least related.
- **Broad:**
  - Cooperation is necessary for coordination.
  - But coordination is necessary for an organisation. Coordination therefore, is broader of these two concepts. Even when cooperation exists if there is no proper coordination, the organisation fails to deliver goods required in time.

Need and significance for coordination

Need for coordination arises whenever and wherever, a group of people work together to achieve common objectives. The need for coordination mainly arises because of :

- *Increase in size and complexity of operations*
- *Specialisation*
- *Clash of interests*
- *Difference in attitudes and working style*
- *Independence of units*

Significance of Coordination : It is important to the success of any enterprise. It helps an organisation in :

- *Increase efficiency*
- *Improves human relations*
- *Interdepartmental harmony*
- *Key to other functions*

Principles of Coordination

Coordination is a continuous and dynamic process. Coordination is essentially the managerial responsibility.

Parker Follet has spelt various principles of coordination in the following fashion

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.

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.

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

Coordination Process

Coordination cannot be achieved by force or imposed by authority. It can be achieved through person-to-person, side-by-side relationships.

It is possible only when the following conditions are fulfilled.

1.Clearly defined and understood objectives

- 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 organisation 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

Techniques of coordination

Managers use a variety of techniques for achieving coordination.

1.Sound planning

- Planning is the ideal stage for coordination. Clear cut objectives, harmonized policies and unified procedures and rules ensure uniformity of action.

2. Sound and simple organisation

- A simple and sound organization is an important, with Clear cut authority relationships help to reduce conflicts and to hold people responsible

3. Chain of command

- Exercise of authority through the chain of command or hierarchy is the traditional means of coordination.

Techniques of coordination (Contd..)

4. Effective Communication

- Open and regular communication with effective interchange of opinions and information helps in resolving differences and in creation of mutual understanding.

5. Special coordination

- Where an executive finds little time to solve the problems of coordination, he hires a specialist for doing this task. Such a person is called Special coordinator (appointed for the purpose of only coordinating)..

6. Sound leadership

- Sound leadership can influence subordinates to have identity of interest and to adopt a common outlook.

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 organisation

Promoting coordination

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

Chapter-4

PLANNING AND FORECASTING

Introduction

- Planning is central to the success of any organization.
- 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 a rational action mixed with a little of forethought.
- In a business, planning is the primary function of all managers as it involves deciding of future course of action. Thus, planning logically precedes the execution of all managerial functions.
- Thus, it is basically a process of “thinking before doing”.

Introduction (Contd..)

- 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 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 process of establishing goals and a suitable course of action for achieving those goals.
- The necessity of planning arises because of the fact that business organizations have 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

1. Planning is a mental exercise -- Planning is not a simple process. It is an intellectual exercise and involves thinking and forethought on the part of the manager.

2. Planning is goal-oriented -- Every plan specifies the goals to be attained in the future and the steps necessary to reach them. A manager cannot do any planning, unless the goals are known.

3. Planning is forward looking -- Planning is in keeping with the age, “look before you leap”. Thus planning means looking ahead. It is futuristic in nature since it is performed to accomplish some objectives in future.

4. 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..)

5. Planning is the primary function -- Planning logically precedes the execution of all other managerial functions, since managerial activities in organizing; staffing, directing and controlling are designed to support the attainment of organizational goals. Thus, management is a circular process beginning with planning and returning to planning for revision and adjustment.

6. 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.

7. 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.

8. 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.

Planning Questions and Steps in the planning process

There are seven essential steps in operating planning process. Managers use this process in carrying out their jobs . Steps in operating 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?

Planning Questions and Steps in the planning process (Contd..)

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

4.Evaluating the alternative: Listing and considering the various advantages and disadvantages of each of your 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 and evaluating the Results: Making sure that the plan is going according to expectations and making necessary adjustments.

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 :

- Thinking and doing aspects in the planning process are two sides of the same coin. 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 :

- In this approach, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into account.
- The tentative plans are forwarded to the top management for approval.
- The expertise, experience and capabilities of functional heads is executed into action in such a participative climate.

Principles of planning

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

1. Principle of contribution to objectives
2. Principle of primacy of planning
3. Principle of pervasiveness of planning
4. Principle of flexibility
5. Principle of periodicity
6. Principle of planning premises
7. Principle of limiting factor

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 (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.

Limitations of Planning

Following are the limitations of planning:-

1.Lack of accurate information :

- The reliability of a plan depends upon facts & information on which it is based. If reliable information & dependable data are not available, planning is sure to lose its importance.

2. Lack of accurate forecast :

- Planning concerns future activity & its quality will be determined by the quality of forecast of future events. No manager can predict completely & accurately the events of future, the plans may cause problems in operation.

3. Complex Process :

- Planning is a complex & expensive process. It demands serious thinking, hard work & time. Some managers do not like to undergo such a complicated process as they like short-cuts. Such planning may not yield the desired results.

4. Rigidities :

- Planning may result in internal inflexibilities. By limiting individual freedom, planning may stifle initiative & personal development. Rigidities appear from managers negligence to revise the plan, policies & procedures.

Limitations of Planning (Contd..)

5. Lack of specific goals :

- Planning cannot be effective unless goals are specific & clear.

6. Lack of planning Skills :

- Planning is an art & takes a special type of person to plan. Not everyone is capable of planning & solving organizational problems.
- A planner should not only have skill, but also intelligence & vision for long range planning & must have ability to forecast.

7. Resistance to change :

- Resistance to change is another factor which puts limits on planning. It is commonly experienced in the business world.
- Sometimes, planners themselves do not like change & they do not think it is good & necessary to bring changes as it will create resistance on the part of workers. This attitude makes the planning process ineffective.

Effective planning

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

- Climate
- Top management support
- Participation
- Communication
- Integration
- Monitoring

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 are normally followed in planning by Lrng Org
  - Strong mission
  - Stretch goals
  - Learning environment
  - Vital information
  - Improvement; a way of life
  - Planning still starts and stops at the top

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 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 apply remarks 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

Techniques of forecasting

Three common techniques are employed in business forecasting are: Deterministic technique, Symptomatic technique, Systematic technique

1. Deterministic Technique

Deterministic techniques assume that there is a close casual connection or a rough identity between present and future. These techniques are employed to forecast capital spending, consumer expenditure, business conditions etc and the principal deterministic techniques are :

- Latest information
- Knowledge of programs or limits
- Spotting the beginning of the lengthy process
- Diagnosing people’s expectations

Techniques of forecasting (Contd..)

2. Symptomatic techniques

- These are based on the assumption that turning points in economic activity are spotted out from the information collected on national and industrial indices. Based on the significant changes and the information collected, the future trends are predicted.

3. Systematic techniques

- The cause and effect relations among different economic factor, which hold relevance for past, present and future, are ascertained and forecasts are then constructed. Generally **two** approaches are employed in this type of forecasting.
  - » Intuitive approach
  - » The economic approach