Introduction to Management

Module 2

Coordination; Planning and Forecasting

Chapter 3 - **Coordination**

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

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*.

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.

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

<u>Coordination cannot be achieved by force or imposed by authority.</u> 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

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

How to Promote Coordination Virtically 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

- **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 ?
- What is Forecasting ?

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 a
  - rational action mixed with some forethought.
- 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". Is key to the success of any organization.

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 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.

Planning Questions and 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?

Planning Questions and 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 alternative:s 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.

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 (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

<u>The following steps have to be taken in order to make planning effective :</u>

- 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

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, "<u>business forecasting refers to a statistical analysis of the past and current movements</u> in the given time series so as <u>to obtain clues about the future pattern of these movements</u>."

Features of forecasting

- It is <u>concerned with future events.</u>
- It is <u>necessary for planning process</u>.
- The <u>impact of future events has to be considered</u> in the planning process.
- <u>It is a guessing of future events</u>.
- 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

Case Study

- Forecasting for Airline Revenue Management
- Planning and Forecasting at EasyJet