A STUDY ON EFFECT OF PLANNING AND DECISION MAKING ON BUSINESS ENVIRONMENT

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Abstract:

This study explains the General Framework for planning- Planning Process, Analysing the Environment to Forecast Aids and Barriers to Goals and Objectives. It also provides different types of plans for the development of business strategy in different contexts of business environments. This study will also explains decision making and problem solving process and it involves in differentiating programmed and non-programmed decisions.

Keywords: Planning, Planning Process, Types of Plans and development of business strategies, Decision Making, decision Making Process, Programmed and non Programmed Decisions etc.

General Framework for Planning:

Planning is a complex and comprehensive process involving a series of overlapping and interrelated elements or stages, including strategic, tactical, and operational planning. Strategic planning establishes master plans that shape the destiny of the firm. An example of strategic planning is when the executive team at Harley-Davidson Inc. planned how to deal with the demographic shift of their customer base becoming much older. The strategic issue it faced was whether to change its iconic product line to win over young buyers. A second type of planning is needed to support strategic planning, such as how to build motorcycles that fit the preferences of younger motorcyclists.

Tactical planning translates strategic plans into specific goals and plans that are most relevant to a particular organisational unit. The tactical plans also provide details of how the company or business unit will compete within its chosen business area. Middle managers have the primary responsibility for formulating and executing tactical plans. These plans are based on marketplace realities when developed for a business. Conditions can change rapidly in competitive fields such as a Korean company suddenly developing a substantially lower-price sports bike. The scope of tactical plans is broader than operational plans (described next), but not as broad as that of strategic plans.

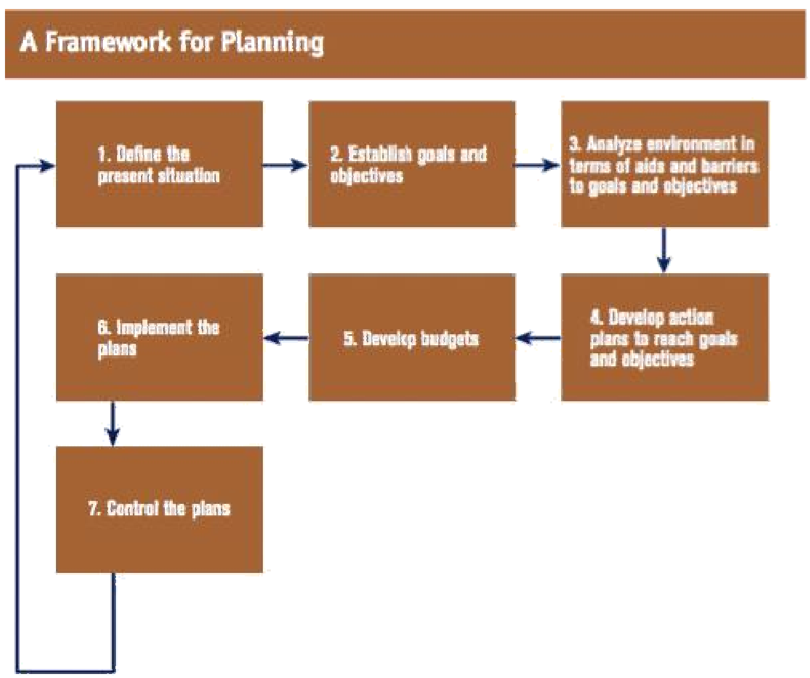
A third type of planning is aimed more at day-to-day operations or the nuts and bolts of doing business. Operational planning identifies the specific procedures and actions required at lower levels in the organisation. If HarleyDavidson wants to revamp an assembly line to produce more sports bikes, operational plans would have to be drawn. In practice, the distinction between tactical planning and operational planning is not clear-cut. However, both tactical plans and operational plans must support the strategic plan such as revamping manufacturing and marketing to capture a larger group of young cyclists. The framework presented in Exhibit 4-1 summarises the elements of planning. With slight modification the model could be applied to strategic, tactical, and operational planning.

A planner must define the present situation, establish goals and objectives, and analyse the environment in terms of aids and barriers to goals and objectives. The planner must also develop action plans to reach goals and objectives, develop budgets, implement the plans, and control the plans. This chapter examines each element separately. In practice, however, several of these stages often overlap. For example, a manager might be implementing and controlling the same plan simultaneously.

Planners frequently start in the middle of the process, proceed forward, and then return to an earlier step. This change of sequence frequently happens because the planner discovers new information or because objectives change. Also, many managers set goals before first examining their current position. To illustrate the general framework for planning we turn to HarleyDavidson, that is dealing with the planning challenge presented by its aging customer base.

Define the Present Situation:

Knowing where you are is critical to establishing goals for change. Defining the present situation includes measuring success and examining internal capabilities and external threats. Harley- Davidson has had a long tradition of success. At one time the motorcycle had a youth-oriented counterculture mystique. By the mid-2000s, Harley had become a middle-aged nostalgia brand. Because of so many loyal customers, Harley had been able to turn small product improvements into sustained growth. Many Harley-Davidson customers own multiple—sometimes even 12—Harley motorcycles. At the moment the new, bigger Twin Cam engine and six-speed.



transmission was announced in July 2006, orders began pouring into dealers. Annual sales of $6 billion were forecast. Another capability of Harley is a fast-growing overseas fan base that perceives the Harley-Davidson in the best possible sense, referring to being powerful and free. Over one-fifth of Harleys are sold outside the United States. A major external threat facing Harley-Davidson was the long-time prediction that a demographic time bomb would blow up the company. The median age of a Harley buyer had leapt from 35 in 1987 to nearly 47 in 2006. The company has done little to shake its image with people in their twenties as Granddad's or Grandma's bike. "They haven't kept up with the younger riders," says a 44-year-old business analyst who owns two Harleys.

Establish Goals and Objectives

The second step in planning is to establish goals and identify objectives that contribute to the attainment of goals. (Goals are broader than objectives, whereas objectives function as smaller goals that support the bigger goals.) A major goal Harley management might establish is to continue to cultivate people over 30 who prefer the big loud bikes that allow for smooth rides on long trips. Another goal would be to promote the Harley as a retirement treat, especially for young retirees. Another goal would be to promote its lower-priced sports bikes in its Buell line. Genevieve Schmitt, founding editor of WomenRidersNow.com, believes Harley should establish the goal of continuing to focus on what they do best. She says, "They've responded to the needs of smaller, less muscular riders by offering motorcycles with lower motors. They realise women are an up-and-coming segment and that they need to accommodate them. They don't market to a specific gender, but are gender-neutral. They market a lifestyle, with daughters and moms, dads and sons." Following this thought Harley might establish the goal of making their marketing more gender neutral.

Analyse the Environment to Forecast Aids and Barriers to Goals and Objectives

As an extension of defining the present situation, the manager or other planner attempts to predict which internal and external factors will foster or hinder attainment of the desired ends. A key strength of Harley being able to retain its prominence in the motorcycle business is that its brand is so well established. The loyal and talented Harley-Davidson workforce will be able to adapt to any shift toward smaller, sportier bikes. A potential barrier in the environment to the continued success of Harley is that the Japanese bike makers quickly change to suit the shifting taste of customers. In contrast, Harley is over 100 years old and much more conservative. Company management is less than eager to mess with its iconic image. Kent Grayson, a marketing professor at Northwestern University says, "It's more than a brand. It's a culture." Another barrier to attaining goals is that European and Japanese motorcycle manufacturers far outsell the Harley Buell line of smaller bikes in the United States. For example, in 2006 the Japanese company Susuki sold about 27,000 motorcycles with engines in the same class as the Buell line. Harley sold about 4,200 in this class. Another external threat is that many individuals are concerned about motorcycle safety and the disturbance to the environment from the loud exhaust blast. The Hell's Angels image of motorcyclists is a potential barrier. Yet the barrier is offset somewhat by the fact that many would-be drivers are attracted to the rebellious image.

Develop Action Plans to Reach Goals and Objectives

Goals and objectives are only wishful thinking until action plans are drawn. An action plan consists of the specific steps necessary to achieve a goal or objective. The planners must figure out specifically how they will accomplish such ends as encouraging Harley users to keep motorcycling until later in life. Other action plans might include more advertising aimed at women, including the objective of featuring women celebrities in advertisements for Harley-Davidson. Additional action plans might include free seminars for seniors about the joy of motorcycle driving, and more extensive promotion of the Buell line.

Develop Budgets

Planning usually results in action plans that require money to implement. Among the expenses would be larger advertising and promotion budgets geared to seniors and women. Expenses for expanding the Buell line would be incentives for dealers to purchase them and increased production, so more Buells could be placed in dealer showrooms. Another budget item would include safe-driving campaigns to help soften the image of motorcycling being so dangerous.

Implement the Plans

If the plans developed in the previous five steps are to benefit the firm, they must be put to use. A frequent criticism of planners is that they develop elaborate plans and then abandon them in favor of conducting business as usual. One estimate is that 70 percent of the time when CEOs fail, the major cause of failure is poor execution, not poor planning. Poor execution in this study included not getting things done, being indecisive, and not delivering on commitments.4 Furthermore, execution is considered to be a specific set of behaviours and techniques that companies need to master in order to maintain a competitive advantage.5 Part of the outstanding success of Toyota can be attributed to top-level management's penchant for implementing its many plans. CEO Fujio Cho believes that Toyota can never afford to take its foot off the gas (or relax in executing its plans). He believes that running Toyota is less like driving a car than "trying to pull a handcart up a steep hill —there's always tremendous danger that if we relax, even for a moment, we could lose momentum and be thrown to the bottom."6 The Harley managers and specialists seem poised to execute because their planning sessions heavily emphasise turning plans into action. HarleyDavidson management desperately wants the success of the Harley line of motorcycles to continue into the future.

Control the Plans

Planning does not end with implementation, because plans may not always proceed as conceived. The control process measures progress toward goal attainment and indicates corrective action if too much deviation is detected. The deviation from expected performance can be negative or positive. Progress against all of the goals and objectives mentioned above must be measured. One goal was to hold on to much of the existing customer base. Mark Barnett, an El Paso, Texas, Harley dealer believes that Harley is attaining this goal. He observes: "When they get into their 30s and 40s, people slow down and get tired of sports bikes. If you look at the sport bike demographics, the number on them over 40 is pretty low. As long as people don't quit riding motorcycles altogether, they're going to be our customer when they turn 40." Company management needs more time to know if the goal for getting more young riders to purchase sports cycles in the Buell line has been attained. In Exhibit 4-1, note the phrase "Evaluation and Feedback" on the left. The phrase indicates that the control process allows for the fine-tuning of plans after their implementation. One common example of the need for finetuning is a budget that has been set too high or too low in the first attempt at implementing a plan. A manager controls by making the right adjustment.

Make Contingency Plans

Many planners develop a set of backup plans to be used in case things do not proceed as hoped. A contingency plan is an alternative plan to be used if the original plan cannot be implemented or a crisis develops. (The familiar expression "Let's try plan B" gets at the essence of contingency planning.) One potential crisis for Harley management would be substantial climate changes in the form of much more rain, snow, and ice that would make motorcycle riding less feasible in many parts of the world. Another crisis would be the escalation of motorcycle insurance premiums to the point that the demand for on-the-road motorcycles would decline sharply. Contingency plans are often developed from objectives in earlier steps in planning. The plans are triggered into action when the planner detects, however early in the planning process, deviations from objectives. Construction projects, such as building an airport hangar, are particularly prone to deviations from completion dates because so many different contractors and subcontractors are involved. An exit strategy might be part of the contingency plan. If the demand for both the Harley big bikes and sports bikes declined to the point of major losses, the Harley facilities and dealerships might be sold to Suzuki. Harley management, of course, does not envision this crisis.

PLANNING PROCESS:

8 Main Steps Involved in Planning Process

1. Perception of Opportunities:

Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely.

All managers should know where they stand in the light of their strengths and weaknesses, understand the problems they wish to solve and know what they gain. Setting objectives depends on the awareness. Planning requires realistic diagnosis of the opportunity situation.

2. Establishing Objectives:

This is the second step in the planning process. The major organisational and unit objectives are set in this stage. This is to be done for the long term as well as for the short range. Objective specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

Organisational objectives give direction to the major plans, which by reflecting these objectives define the objective of every major department. Major objectives, in turn, control the objectives of subordinate departments and so on down the line. In other words, objectives from a hierarchy.

The objectives of lesser departments will be more accurate if subdivision managers understand the overall enterprise objectives and the derivative goals. Managers should also have the opportunity to contribute their ideal to setting their own goals and those of the organisation.

3. Planning Premises:

After determination of organisational objectives, the next step is establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions.

Thus planning premises are external and internal. External premises include total factors in task environment like political, social, technological, competitors, plans and actions, government policies. Internal factors include organisation's policies, resources of various types, and the ability of the organisation to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organisational hierarchy the composition of planning premises changes from external to internal. The major plans both old and new will materially affect the future against which the managers at lower units must plan.

4. Identification of Alternatives:

The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organisational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.

For example, if an organisation has set its objectives to grow further, it can be achieved in several ways like expanding in the same Field of business or product line diversifying in other areas, joining hands with other organisations, or taking over another organisation and so on. Within each category, there may be several alternatives.

The most common problem is not finding alternatives but reducing the number of alternatives so that the most promising may be analysed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that can be thoroughly examined. The planner must usually make a preliminary examination to discover the most fruitful possibilities.

5. Evaluation of Alternatives:

The various alternative course of action should be analysed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc..

6. Choice of Alternative Plans:

This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more .ire advisable and beneficial. The fit one is selected.

7. Formulation of Supporting Plan:

After formulating the basic plan, various plan are derived so as to support the main plan. In an organisation there can be various derivative plans like planning for buying equipment, buyingraw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

8. Establishing Sequence of Activities:

After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

The overall budgets of an enterprise represent the sum total of income and expenses, with resultant profit or surplus, and budgets of major balance sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

If done well, budgets become a means of adding together the various plans and also set important standards against which planning progress can be measured

Types of Plans:

1. Strategic Plans

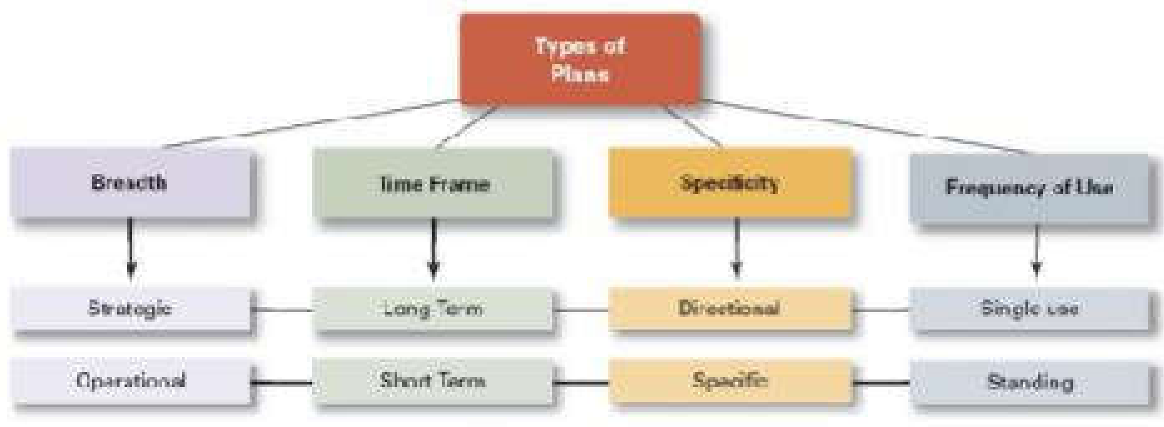
• Apply to the entire organization.

• Establish the organization's overall goals.

• Seek to position the organization in terms of its environment. • Cover extended periods of time.

2. Operational Plans

• Specify the details of how the overall goals are to be achieved. • Cover short time period. Fundamentals of Management



3. Long-Term Plans

• Plans with time frames extending beyond three years

4.Short-Term Plans

• Plans with time frames on one year or less

5. Specific Plans

• Plans that are clearly defined and leave no room for interpretation

6. Directional Plans

• Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

7. Single-Use Plan

• A one-time plan specifically designed to meet the need of a unique situation.

8. Standing Plans

• Ongoing plans that provide guidance for activities performed repeatedly.

Development of Business Strategies:

1. Gather the facts

To know where you're heading, you have to know where you are right now. So before you start looking ahead, you should review the past performance, or the current situation. Look at each area of the business and determine what worked well, what could have been better and what opportunities lie ahead There are many tools and techniques available to help with this process, such as SWOT (Strength, Weakness, Opportunities and Threats) analysis. You should look internally at your strengths and weaknesses. And for the opportunities and threats you should look at external factors.

A great framework for looking at external factors is PESTLE (Political, Economic, Social, Technological, Legal and Environmental). The most important part of this process is involving the right people to make sure you're collecting the most relevant information.

2. Develop a vision statement

This statement should describe the future direction of the business and its aims in the medium to long term. It's about describing the organisation's purpose and values. Business gurus have debated long and hard about what comes first – the vision, or the mission statement. But, in practice, you could develop both at the same time.

3. Develop a mission statement

Like the vision statement, this defines the organisation's purpose, but it also outlines its primary objectives. This focuses on what needs done in the short term to realise the long term vision. So, for the vision statement, you may want to answer the question: "Where do we want to be in 5 years?". For the mission statement, you'll want to ask the questions:

- What do we do?
- How do we do it?
- Whom do we do it for?
- What value do we bring?

4. Identify strategic objectives

At this stage, the aim is to develop a set of high-level objectives for all areas of the business. They need to highlight the priorities and inform the plans that will ensure delivery of the company's vision and mission.

By taking a look back at your review in step one, in particular the SWOT and PESTLE analysis, you can incorporate any identified strengths and weaknesses into your objectives. Crucially, your objectives must be SMART (Specific, Measurable, Achievable, Realistic and Time-related). Your objectives must also include factors such as KPI's, resource allocation and budget requirements.

5. Tactical Plans

Now is the time to put some meat on the bones of your strategy by translating the strategic objectives into more detailed short-term plans. These plans will contain actions for departments and functions in your organisation. You may even want to include suppliers.

You're now focusing on measurable results and communicating to stakeholders what they need to do and when. You can even think of these tactical plans as short sprints to execute the strategy in practice.

6. Performance Management

All the planning and hard work may have been done, but it's vital to continually review all objectives and action plans to make sure you're still on track to achieve that overall goal. Managing and monitoring a whole strategy is a complex task, which is why many directors, managers and business leaders are looking to alternative methods of handling strategies. Creating, managing and reviewing a strategy requires you to capture the relevant information, break down large chunks of information, plan, prioritise, capture the relevant information and have a clear strategic vision.

DECISION MAKING:

Decision-making can be regarded as a problem-solving activity terminated by a solution deemed to be optimal, or at least satisfactory. It is therefore a process which can be more or less rational or irrational and can be based on explicit or tacit knowledge and beliefs.

Human performance has been the subject of active research from several perspectives:
Psychological: examining individual decisions in the context of a set of needs, preferences and values the individual has or seeks.
Cognitive: the decision-making process regarded as a continuous process integrated in the interaction with the environment.
Normative: the analysis of individual decisions concerned with the logic of decision-making, or communicative rationality, and the invariant choice it leads to.

A major part of decision-making involves the analysis of a finite set of alternatives described in terms of evaluative criteria. Then the task might be to rank these alternatives in terms of how attractive they are to the decision-maker(s) when all the criteria are considered simultaneously.

Another task might be to find the best alternative or to determine the relative total priority of each alternative (for instance, if alternatives represent projects competing for funds) when all the criteria are considered simultaneously. Solving such problems is the focus of multiple-criteria decision analysis (MCDA). This area of decision-making, although very old, has attracted the interest of many researchers and practitioners and is still highly debated as there are many MCDA methods which may yield very different results when they are applied on exactly the same data.This leads to the formulation of a decision-making paradox.

Logical decision-making is an important part of all science-based professions, where specialists apply their knowledge in a given area to make informed decisions. For example, medical decision-making often involves a diagnosis and the selection of appropriate treatment. But naturalistic decision-making research shows that in situations with higher time pressure, higher stakes, or increased ambiguities, experts may use intuitive decision-making rather than structured approaches. They may follow a recognition primed decision that fits their experience and arrive at a course of action without weighing alternatives.

PROBLEM SOLVING:

The term problem solving is used in numerous disciplines, sometimes with different perspectives, visuals, and often with different terminologies. For instance, it is a mental process in psychology and a computerized process in computer science. Problems can also be classified into two different types (ill-defined and well-defined) from which appropriate solutions are to be made. Ill-defined problems are those that do not have clear goals, solution paths, or expected solutions. On the contrary, well-defined problems have specific goals, clearly defined solution paths, and clear expected solutions. These problems also allow for more initial planning than ill-defined problems.

Solving problems sometimes involves dealing with pragmatics (logic) and semantics (interpretation of the problem). The ability to understand what the goal of the problem is, and what rules could be applied, represents the key to solving the problem. Sometimes the problem requires abstract thinking and coming up with a creative solution.

Programmed & Non Programmed Decisions:

Programmed Decisions:

Decisions related to structured situations, where the problem is more or less routine and repetitive in nature are known as programmed decisions. For example, problems related to leave are solved by policy relating to leave rules. Employees who take leave according to leave rules Eire granted leave and those who do not follow the leave rules may not be granted leave. The routine problems may not always be simple.

There may be complex routine problems. For example, production department follows a routine that managers order for inventory when it reaches the re-order point. If there is sudden increase in demand for the product, managers cannot wait for inventory to reach the re-order point to make fresh orders. Orders are placed before this level is reached. Ordering inventory is, thus, a problem of routine nature but ordering inventory before the re-order point is a routine but complex problem.

In either situation, managers depend on pre-established criteria for taking decisions. Various policies, schedules and procedures guide these decisions and, therefore, policies and procedures should be as clear as possible. Since decisions are based on pre-defined standards, they do not require much of brainstorming and are taken normally by middle and lower-level managers.

Managers do not think of innovative ways to solve the routine problems. Therefore, they can concentrate on important and crucial activities. These decisions also involve some amount of certainty, i.e., outcomes of these decisions are, by and large, known.

Various types of programmed decisions are:

(1) Organisational decisions
(2) Operational decisions
(3) Research decisions, and
(4) Opportunity decisions.

Non-Programmed Decisions:

These decisions are taken in unstructured situations which reflect novel, ill-defined and complex problems. The problems are non-recurring or exceptional in nature. Since they have not occurred before, they require extensive brainstorming. Managers use skills and subjective judgment to solve the problems through scientific analysis and logical reasoning.

Subjective judgment is based on assessment of the situation. In objective judgment (in case of programmed decisions), past experience forms the basis for decision-making. These decisions involve fair degree of uncertainty since outcomes of decisions are not always known. These decisions are based on partial ignorance as the alternatives and their outcomes cannot be known in advance. They are taken in the context of changing, dynamic environmental conditions.

For example, increase in advertising expenditure, effective salesmanship, upgraded technology, quality controls, brand image and reasonable prices are expected to increase sales and profits. If, despite all this, profits are declining, it requires immediate decision-making and such decisions are non-programmed decisions.

These decisions are taken by top-level managers. As we move up the organisational hierarchy, the need for taking non-programmed decisions increases.

Different types of non-programmed decisions are:

(1) Personal decisions,
(2) Strategic decisions,
(3) Crisis intuitive decisions, and
(4) Problem-solving decisions.

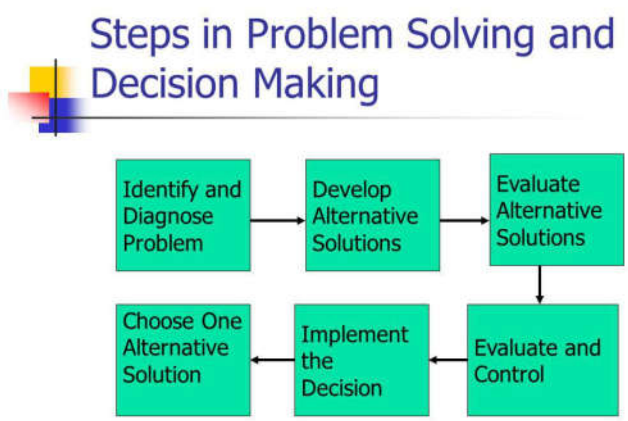
There is no clear line of demarcation between programmed and non-programmed decisions. Decisions are neither totally programmed nor non-programmed. They are a combination of both and lie on continuum of decision; between totally programmed decisions at one end of the continuum and totally non-programmed decisions at the other end.

Steps in Problem Solving and Decision Making

1) Defining the Problem:

Defining the problem is the problem half solved. Sufficient timing should be spent on defining the problem. It is very difficult to define the problem. The manager is responsible for defining the problem.

E.g.: - Like a doctor, he has to take into account all the symptoms before giving a medicine. A manager must carefully diagnose the problem & should tackle it tactfully.



2) **Collection of Data:**

Information can be collected from internal sources as well as external sources. Right decisions depend upon the quality of information collected by the management.

3) **Analysis of the Problems:**

Subject to systematic study depth information should collected & it should be classified properly. Information is based on facts, speculation& assumption. Normally 98% information should be based on facts, 2% on speculation, 0% assumption.

4) Finding causes of problems:

This is the most important aspect of understanding the problem. It is complicated process to find out the exact cause is very essential.

5) Identification of Resources:

It is necessary to identify available resources & the use of resources for achievements of goals. The management must make the list of resources that are available for solving the problem.

6) Development of Criteria for successful Solution:

Criteria should not be established as early as possible. This criteria is useful for choosing the best alternative & divert the resources accordingly. This criteria is divided into “must & want”. The must criteria are satisfied first & want criteria later on.

7) Development of Alternatives:

Development of alternatives is most important step in the process of decision making. The effectiveness in decision making depends upon development of alternatives.

8) Selection of Alternatives:

In order to select the best alternative following points should be considered i.e. risk, economy, time, availability of resources.

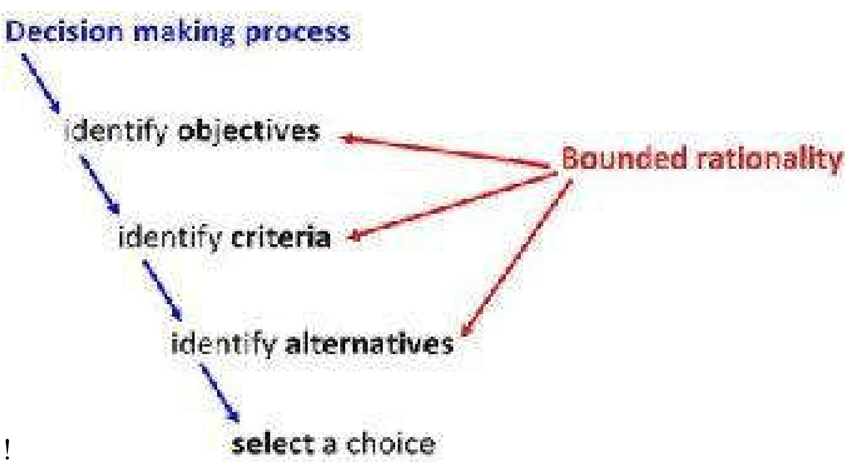
9) Implementation of Decisions:

Implementation means putting the selective alternative into action. The process of implementation starts with assigning the responsibilities. Management must focus on the duties of the person. He must consider following points:
1. Effective communication
2. Time for Decision Making
3. Acceptance by employee.

BOUNDED RATIONALITY AND INFLUENCES ON DECISION MAKING:

Corporate management is a responsibility that comes with a lot of challenges. Managers are often required to attend to issues and difficulties that need resolutions, clarity and decisions. A significant portion of these matters is paltry while others are exceptionally vital to the prosperity of the organisation, particularly concerning strategic performance and the organisation's bottom line.

Bounded rationality about decision making proposes that people don't utilise ideal decision-making approaches as a result of cognitive limitations in the capacity to understand and oversee complex information and also a consequence of difficulties related with impediments in information accessibility. Rather, the idea proposes that people embrace approaches that are more constrained and which depend upon heuristics to make the decision-making process manageable, which incorporates the way toward generating and assessing options for conceivable activity.



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The above concept presumes that managers, who are for sure leaders, are halfway discerning and thus would dependably consider the encompassing condition to guarantee that they settle on the best decisions that will suffice at the moment.

Principles of Bounded Rationality

1. As no one can make a decision affecting the past, decisions must operate for the future and the future almost in all cases involves uncertainties.
2. The capacity of the human mind to perceive, retain and retrieve complete knowledge and information on past, present and future events is not unlimited. Again, information is neither readily available nor is it a free commodity. The cost of information collection vis-a-vis its reliability and relevance is an important consideration.
3. It is difficult to recognize all the alternatives that might be followed to reach a goal, because of human cognitive constraints. It is neither necessary nor feasible to generate the entire set of alternatives. The computational capabilities of the decision maker are also limited. In most cases, not all alternatives can be analyzed, even with the latest analytical techniques and tools like computers.
4. With all his' knowledge and intelligence, the average decision maker has his own soft emotions. He cannot completely shut off his subjective viewpoints from influencing the decision process.

Because of the limitations mentioned above, a decision maker would rather be more interested in a choice which is satisfactory and sufficient.

In other words, a manager must settle for limited rationality or “bounded” rationality.

Since it is not possible for managers to be fully rational in practice, they sometimes compromise with their dislike of risks—their desire to “play it safe”—to interfere with the desire to reach the best solution under the circumstances.

This has been termed “Satisfying”, that is, choosing a course of action that is satisfactory or good enough under the circumstances.

GROUP PROBLEM SOLVING AND DECISION MAKING

The problem-solving process involves thoughts, discussions, actions, and decisions that occur from the first consideration of a problematic situation to the goal. The problems that groups face are varied, but some common problems include budgeting funds, raising funds, planning events, addressing customer or citizen complaints, creating or adapting products or services to fit needs, supporting members, and raising awareness about issues.

Organizational challenges are many times disruptive to productivity. Group problem solving is the process of bringing together stakeholders who through their analytical decision making abilities can influence the outcome of the problem. The use of groups in problem solving is encouraged as groups tend to evaluate diverse solutions and action plans. The core objectives of the group are identifying the problem and developing solutions. This five-step systematic group problem solving process provides a defined strategy for a teamwork approach to generating creative and workable resolutions.

Group Decision Making and Problem Solving Process

1. Define the Problem

Provide history relevant to the problem. Make a comparison: how are things now versus the way you would like them to be? How long has the problem existed? How frequently does it occur? Who is affected by the problem?

2. Determine Causes

Look for the cause of the gap between the present (what's now) and the desired (future) state or resolution.

2. Develop Alternative Approaches

Brainstorm. (Write exactly what is said. Capturing specific words can be powerful.) Make a list of as many possible solutions as you can. Do NOT judge correctness or feasibility here. Just list everything.

4. Assess the Consequences

Ask what possible results may come from each alternative. Who is affected? Who pays? Are there uncontrollable challenges?

5. Develop Action Plans

Identify what you want success to look like. Use the Action Planning Worksheet to choose feasible alternatives that are acceptable to the group. Note: This is where most of the work is done!

CREATIVITY AND INNOVATION IN MANAGERIAL WORK

Creativity is imagining. Innovation is doing. There's no doubt that, no matter what the size, your business needs to foster creativity and innovation together to stay competitive and to retain awesome teammates.

Creativity:

Thinking up new things

Creativity is ...“A state of doing, not being”

If you want to be creative you need to do creative things The creative process has two fundamental stages:- A) Generating ideas (produce)

Evaluating ideas

Steps to Personal Creativity

1. Believe in yourself
2. Question traditional assumptions
3. Expand your problem-solving styles
4. Practice thinking in new ways

Innovation:

“Doing new things”

Innovation is about creating value and increasing efficiency, and therefore growing your business. "Without innovation, new products, new services, and new ways of doing business would never emerge, and most organizations would be forever stuck doing the same old things the same old way."

Process of Innovation

a) Idea generation (Making)

b) idea screening (test)

c) feasibility (Practically)

d) and implementation (Completion)

Turning Ideas Into Opportunities

• Opportunity Recognition:-

• The defining act of entrepreneurship.

• Need to create an environment where people are encouraged to generate ideas...
• Then, the challenge becomes how to " screen " ideas to find the best opportunities. Screening Ideas:-
• Are they Opportunities?
• What important customer problem can you solve?
• How are you going to do it?
• How many customers are there that are willing to buy from you? • Why can only you provide the solution?
• How can you defend against others?

Steps to implement company creativity and innovation management

Communicate clearly to everyone: "We want to innovate."

Many companies don't make it clear just how important innovation is and that they value this type of initiative.

Sporadic speeches and cold memos don't go well together, at least with effective company creativity and innovation management.

With the enormous number of collaborative tools available for internal communication, it's important to create an innovation platform, defining what the company's objectives are, what markets it wants to develop, available technologies and other information. But this should be a non-limiting guideline:

This is a way to formalize a company's innovative desire. Create a space for idea discussion, a place to innovate.

Organize the time to innovate

The Google case has already become famous. It allows its employees to spend 20% of their time working to dedicate themselves to personal and innovative projects.

But again, if you don't adequately publicize time available for innovation, your employees will not feel safe.

There are 4 main company creativity and innovation management models, adopt the most relevant for your organization's culture and goals:

- **Free time:** Each employee chooses if, when and how much time to use on innovative projects
- **Time Spent:** It's very similar to the first model. The difference is that it's evident that the company values the time it spends on innovation.
- **Determined Time:** In this case, there are specific events, lectures, contests, and meetings where employees should focus on creative initiatives.
- **Defined Time:** Like the Google case, which defines a percentage of the working hours an organization can use to innovate.

Control activity and results

It's important that company creativity and innovation management define a way to measure how much time and resources an organization is using to innovate and what results it's obtaining. Thus, it will be possible to improve the innovation policy continuously. By encouraging and standardizing the practices that generated the most profits or reached other goals established by the company.

Recognition

Generating innovative ideas is part of an employee's job, but this doesn't prevent a company from recognizing these efforts. It can hand out certificates and even awards in the form of bonuses and promotions for the project designers that have generated the most profit for the business.

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