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***Exam: principal of management***

***Question no:1***

***Answer:***

***Decision making:***

Decision making can refer either to a specific act or to a general process. Decision making is the act of choosing one alternative from among set o alternatives. The decision-making process, however, is much more than this. One step of the process, for example, is that the person making the decision must recognise that a decision is necessary and identify the set of feasible alternatives before selecting one. Define Decision making and types of decisions.

Hence, the decision making process includes recognising and defining the nature of a decision situation, identifying

alternatives, choosing the “best” alternative and putting it into practice.

***TYPES OF DECISION MAKING***

There are many ways of classifying decision in an organisation but the following types of decisions are important ones :

***1. Tactical and Strategic Decisions***

Tactical decisions are those which a manager makes over and over again adhering to certain established rules, policies and procedures. They are of repetitive nature and related to general functioning. Authority for taking tactical decisions is usually delegated to lower levels in the organisation.

Strategic decisions on the other hand are relatively more difficult. They influence the future of the business and involve the entire organisation. Decisions pertaining to objective of the business, capital expenditure, plant layout, production etc., are examples of strategic decisions.

***2. Programmed and Non-programmed Decisions***

Prof. Herbert Simon (June 15, 1916 - February 9, 2001), an American economist and psychologist, has used computer terminology in classifying business decisions. These decisions are of a routine and repetitive nature. The programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it crops up.

The non-programmed decisions are complex and deserve a specific treatment. In the above example, if all the professors in a department stop their teaching work the problem cannot be solved by set procedural rules. It becomes a problem which requires a thorough study of the causes of such a situation and after analysing all factors a solution can be found through problem solving process.

***3. Basic and Routine Decisions***

Prof. Katona has classified decisions as basic and routine. Basic decision are those which require a good deal of deliberation and are of crucial importance. These decisions require the formulation of new norms through deliberate thought provoking process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc.

Routine decisions are of repetitive nature and hence, require relatively little consideration. It may be seen that basic decisions generally relate to strategic aspects, while routine decisions are related to tactical aspects of a organisation.

***4. Organisational and Personal Decisions***

Organisational decisions are those which an executive takes in his official capacity and which can be delegated to others. On the other hand, personal decisions are those which an executive takes in his individual capacity but not as a member of organisation.

***5. Off-the-Cuff and Planned Decisions***

Off-the-cuff decisions involve "shooting from the hip". These decisions can be taken easily and may be directed towards the purposes of the enterprise. On the other hand, planned decisions are linked to the objectives of organisation. They are based on facts and involve the scientific process in problem solving.

***6. Policy and Operating Decisions***

Policy decisions are those which are taken by top management and which are of a fundamental character affecting the entire business. Operating decisions are those which are taken by lower management for the purpose of executing policy decisions. Operating decisions relate mostly to the decision marker's own work and behaviour while policy decisions influence work or behaviour pattern of subordinates.

***7. Policy, Administrative and Executive Decisions***

Ernest Dale (born in Hamburg, Germany and died at the age of 79) has classified decisions in business organisation as under.

(a) Policy decisions,

(b) Administrative decisions and

(c) Executive decisions.

***Policy decisions*** are taken by top management or administration of an organisation. They relate to major issues and policies such as the nature of the financial structure, marketing policies, outline of organisation structure.

**Administrative decisions** are made by middle management and are less important than policy decisions. According to Ernest Dale the size of the advertising budget is a policy decision but selection of media would be an example of administrative decision.

***Executive decisions*** are those which are made at the point where the work is carried out. Distinguishing between these three types of decisions Dale writes, "policy decisions set forth goals and general courses of action, administrative decisions determine the means to be used and executive decisions are those made on a day-to-day basis as particular cases come up".

***End***

***Question no:1 (b)***

***Answer***

***Decision Making Conditions***

Everyday a manager has to make hundreds of decisions in the organisation. There are different conditions in which decisions are made. Managers sometimes have an almost perfect understanding of conditions surrounding a decision, but in other situations they may have little information about those conditions. At the same time, the decision taken by the managers at present will also have an effect on future. For this purpose, the decision-making process involves the visualisation of the conditions that may be present in future.

So, the decision maker must know the conditions under which decisions are to be made. Generally, the decision maker makes decision under the condition of certainty, risk and uncertainty. There are three conditions that managers may face as they make decisions.

They are three conditions

***(1) Certainty***

***(2) Risk***

***(3) Uncertainty.***

***Certainty***

When the certainty conditions are present, it can be reasonably expected by the managers what is going to happen when a particular decision has been taken by them. Certainty is a condition under which the manager is well informed about possible alternatives and their outcomes. There is only one outcome for each choice. When the outcomes are known and their consequences are certain, the problem of decision is to compute the optimum outcome. Similarly, if there are more than one alternative they are evaluated by conducting cost studies of each alternative and then choosing the one which optimises the utility of the resources. The condition of certainty exists in case of routine decisions such as allocation of resources for production, payment of wages and salary etc. There is a little ambiguity and relatively low chance of making and impractical decision. In these situations, the managers use a deterministic model, and it is assumed that all the factors are exact and there is no role for chance.

***Risk***

In a risk situation, although the factual information may be present but it can be insufficient. Mostly the managers have to take business decisions under risk situations. A more decision making condition is a state of risk. In such a condition, managers have knowledge about alternative course of actions but outcomes are associated with probability estimates. It is more difficult to predict future conditions without full information, so the outcome of an alternative cannot be accurately determined. Therefore, managers can guess the probable outcome on the basis of their experience, research and other available information. They can choose an alternative with highest expected outcome. However, such decisions are largely subjective as no decision criteria are fully reliable. Decision making under conditions of risk is accompanied by moderate ambiguity and chances of an impractical decision. On the other hand, the managers may also use subjective probability that is based on their experience and judgment. For this purpose, several tools are available to the managers that can help in taking decisions under risk conditions.

***Uncertainty***

In case of uncertainty conditions, very little information is available to the managers and the managers are not sure regarding the reliability of such information. A state of uncertainty occurs when managers are unaware of the problem they face. They do not know all the alternatives, the risk associated with them or the likely consequences of each alternative. This uncertainty arises from the complexity and dynamism of contemporary organisation and their environments. Managers have limited information to calculate the degree of risk, so statistical analysis is not possible. The condition of uncertainty arises when the organisation introduces a new or innovative product or service, adopts new technology, selects new advertising program etc. To make effective decision in uncertain conditions, managers must acquire as much relevant information as possible and approach the situation from a logical and rational perspective. Intuition, judgment and experience always play major roles in the decision making process. However, decision under uncertainty is the most ambiguous for managers and there is more possibility of error. However, there are certain techniques that can be used by the managers for making a better decision under uncertainty conditions. For example, they may use decision trees, risk analysis and preference theory for making the right decisions in uncertainty conditions.

Hence, In conclusion, we can say that greater the amount of reliable information, the more likely the manager will make a good decision. Hence, manager should make sure that the right information is available at the right time.

***End***

***Question no 2***

***Answer***

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***Strategic competitiveness*** is accomplished when a firm successfully integrates a value-creating strategy.The key to having a complete value-creating strategy is to adopt a holistic approach that includes business strategy, financial strategy, technology strategy, marketing strategy and investor strategy.The objective of the firm has to be based on creating value in an efficient way because it is the starting point for all businesses and it will generate profit after cost.Eric Beinhocker, the Executive Director of the Institute for New Economic Thinking at the Oxford Martin School, University of Oxford, says in his book The Origin of Wealth that the origin of wealth is knowledge. Knowledge does not have to be perceived as an assumption, or as an external factor. It has to be in the heart of the business.For this reason, the value-creating strategy must include a thorough knowledge of each area of the company in order to develop a competitive advantage.

***Business strategy***

In business strategy, it is important to distinguish strategic decisions which imply long-lasting commitments, from tactical decisions, which are short-term responses to the current environment. The strategic decisions define the evolution of state variables that provide a scenario in which current tactics are played out. For instance, investment in physical capital has a strategic role as the basis to determine the success of the enterprise in the future. A firm can gain an advantage by investing and creating a more dynamic behaviour that in the future will lead its rivals to respond by competing less dynamically or by completely staying out of the market

***Financial strategy***

For both new and established businesses, it is essential to establish a strong and clear financial strategy that determines the guiding principles in all financial decisions. Financial decisions are of three types: the investment decision, the financing decision, and the dividend decision. Investment decisions cover capital investment and current investment. Financing decisions include targets for the ratios of debt to total capital and of total debt to total assets. Dividend decisions are concerned with dividend growth and dividend payout.

***Technology strategy***

Technology implementation is often an important way to drive relative advantage over competitors, even among small businesses.

***Social media***

Social networks such as Facebook, Twitter, Instagram, and LinkedIn are effective tools. Adopting an effective social media strategy can rapidly improve a company’s branding and visibility by facilitating the interaction with its customers. Social media sends direct messages and can attract many people to the company's website as long as its design and content are compatible with the quality of the strategy; otherwise, it will be difficult to retain the new public.

***New technologies***

Nowadays, most private enterprises have adopted modern technology. They have created user-friendly websites, online catalogs, and call centres, and they have restructured inventory management. Nevertheless, there are still other important aspects of technology, mentioned by Forbes, that large business are adopting and that small businesses may also be able to adopt:

Real-time, for marketing and product promotion.

Online customer relationship management (CRM).

Tablet-based systems for employees to provide instant, one-to-one responses to customers' needs.

Subscription-based Software as a service

***Marketing strategy***

An effective marketing strategy covers the "4 P's" of the marketing mix: Product, price, place, and promotion.

Product: variety, design, quality, features, brand name, packaging, services

Price: list price, discounts, allowance, payment period, credit terms

Place: channels, coverage, assortments, locations, inventory, transportation, logistics

Promotion: advertising, personal selling, sales promotion, public relations.

Nevertheless, these "4 P's" may be challenged by the "4 C's": Customer solution, customer cost, convenience, and communication.

The customer looks for solutions to their problems when buying, not for products.

The customer wants to know the total cost of acquiring, using and disposing of a product, not price.

Customers want to purchase the products and services as soon as possible, not place.

Communication, not promotion: Customers prefer personalised communication with the company rather than promotion.

***END***

***Question no: 2(b)***

***Answer:***

***Strategy Formulation***

***Definition***: Strategy Formulation is an analytical process of selection of the best suitable course of action to meet the organisational objectives and vision. It is one of the steps of the strategic management process. The strategic plan allows an organisation to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits.

It is examined through SWOT analysis. SWOT is an acronym for strength, weakness, opportunity and threat. The strategic plan should be informed to all the employees so that they know the company’s objectives, mission and vision. It provides direction and focus to the employees.

***Steps of Strategy Formulation***

The steps of strategy formulation include the following:

process of strategy formulation

***Establishing Organisational Objectives:*** This involves establishing long-term goals of an organisation. Strategic decisions can be taken once the organisational objectives are determined.

Analysis of Organisational Environment: This involves SWOT analysis, meaning identifying the company’s strengths and weaknesses and keeping vigilance over competitors’ actions to understand opportunities and threats.

Strengths and weaknesses are internal factors which the company has control over. Opportunities and threats, on the other hand, are external factors over which the company has no control. A successful organisation builds on its strengths, overcomes its weakness, identifies new opportunities and protects against external threats.

***Forming quantitative goals:*** Defining targets so as to meet the company’s short-term and long-term objectives. Example, 30% increase in revenue this year of a company.

***Objectives in context with divisional plans:*** This involves setting up targets for every department so that they work in coherence with the organisation as a whole.

Performance Analysis: This is done to estimate the degree of variation between the actual and the standard performance of an organisation.

***Selection of Strategy***: This is the final step of strategy formulation. It involves evaluation of the alternatives and selection of the best strategy amongst them to be the strategy of the organisation.

Strategy formulation process is an integral part of strategic management, as it helps in framing effective strategies for the organisation, to survive and grow in the dynamic business environment.

***Levels of strategy formulation***

There are three levels of strategy formulation used in an organisation:

levels of strategy formulation

***Corporate level strategy***: This level outlines what you want to achieve: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.

Business level strategy: This level answers the question of how you are going to compete. It plays a role in those organisation which have smaller units of business and each is considered as the strategic business unit (SBU).

***Functional level strategy***: This level concentrates on how an organisation is going to grow. It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Hence, all organisations have competitors, and it is the strategy that enables one business to become more successful and established than the other.

***END***

***QUESTION NO:3***

***Answer***

***Definition of Job Design:***

Job design is defined as a process of describing a job in terms of its duties and responsibilities; the methods to be used in carrying out the job in terms of techniques, systems, and procedures; and the relationship that should exist between the job holders and their superiors, subordinates, and colleagues.

It is also defined as a deliberate and systematic attempt to structure the technical and social aspects of work, so as to improve technical efficiency and job satisfaction.

Davis (1966) has defined job design as “the specification of the content, methods and relationships of jobs in order to satisfy technological and organisational requirements as well as the social and personal requirements of the job holder”.

Employee productivity and satisfaction are the two important concerns of a human resource manager. The structure of work, the activities to be performed and the responsibilities attached to a position are the determinants of employee productivity and satisfaction. Job design is the process of structuring work and designating the specific activities at individual or group levels. These work activities and the eventual work done, have to contribute to the organisational objectives in the most effective and efficient manner.

***Job specialisation:***

***Definition:*** Job specialisation is a process where individuals or employees develop specific skills and expertise to perform certain activities. It involves training the person to excel in a given set of tasks.

***Example***

Marcus is a mechanical engineer working for a big automobile manufacturer based in Detroit. Marcus has 10 years of experience working in the development of engine technologies and maintenance and the company has invested a lot of money into his training, raising Marcus to be an expert in this particular field. Recently, Marcus started to develop interest in finance and he has been trying to apply for a position inside the company at the Finance Department.

Since his training and academic background is not related to this field at all, Marcus is having a difficult time to shift. A career advisor told him that in order to make this radical change he will need to earn an academic degree in that field and start working his way up in the corporate ladder from scratch.

***End***

***Question no:4***

***Answer:***

***Background***

An organisation’s culture defines the proper way to behave within the organisation. This culture consists of shared beliefs and values established by leaders and then communicated and reinforced through various methods, ultimately shaping employee perceptions, behaviours and understanding. Organisational culture sets the context for everything an enterprise does. Because industries and situations vary significantly, there is not a one-size-fits-all culture template that meets the needs of all organisations.

A strong culture is a common denominator among the most successful companies. All have consensus at the top regarding cultural priorities, and those values focus not on individuals but on the organisation and its goals. Leaders in successful companies live their cultures every day and go out of their way to communicate their cultural identities to employees as well as prospective new hires. They are clear about their values and how those values define their organisations and determine how the organisations run. See What does it mean to be a values-based organisation?

Conversely, an ineffective culture can bring down the organisation and its leadership. Disengaged employees, high turnover, poor customer relations and lower profits are examples of how the wrong culture can negatively impact the bottom line.

Mergers and acquisitions are fraught with culture issues. Even organisational cultures that have worked well may develop into a dysfunctional culture after a merger. Research has shown that two out of three mergers fail because of cultural problems. Blending and redefining the cultures, and reconciling the differences between them, build a common platform for the future. In recent years, the fast pace of mergers and acquisitions has changed the way businesses now meld. The focus in mergers has shifted away from blending cultures and has moved toward meeting specific business objectives. Some experts believe that if the right business plan and agenda are in place during a merger, a strong corporate culture will develop naturally. See Managing Organisational Change and Managing Human Resources in Mergers and Acquisitions.

Business Case

If an organisation’s culture is going to improve the organisation’s overall performance, the culture must provide a strategic competitive advantage, and beliefs and values must be widely shared and firmly upheld. A strong culture can bring benefits such as enhanced trust and cooperation, fewer disagreements and more-efficient decision-making. Culture also provides an informal control mechanism, a strong sense of identification with the organisation and shared understanding among employees about what is important. Employees whose organisations have strongly defined cultures can also justify their behaviours at work because those behaviours fit the culture.

Company leaders play an instrumental role in shaping and sustaining organisational culture. If the executives themselves do not fit into an organisation’s culture, they often fail in their jobs or quit due to poor fit. Consequently, when organisations hire C-suite executives, these individuals should have both the requisite skills and the ability to fit into the company culture. See HR Can't Change Company Culture by Itself.

***HR's Role***

Culture plays a vital role in an organisation’s success. Therefore, HR leaders and other members of the HR team should foster a high-performance organisational culture. See How to Practice HR on Purpose.

HR leaders are responsible for ensuring that culture management is a core focus of their organisation’s competitive efforts. For HR leaders to influence culture, they need to work with senior management to identify what the organisational culture should look like. Strategic thinking and planning must extend beyond merely meeting business goals and focus more intently on an organisation’s most valuable asset—its people.

HR has been described as the "caretaker" of organisational culture. In carrying out this essential role, all members of the HR team should help build and manage a strong culture by:

Being a role model for the organisation’s beliefs.

Reinforcing organisational values.

Ensuring that organisational ethics are defined, understood and practiced.

Enabling two-way communications and feedback channels.

Defining roles, responsibilities and accountabilities.

Providing continuous learning and training.

Sustaining reward and recognition systems.

Encouraging empowerment and teams.

Promoting a customer-supplier work environment.

Recognising and solving individual and organisational problems and issues.

***END***