Q 1. During any decision making process, the lost opportunity costs of the other alternative options must be duly accounted for. Which tools and approaches do the concerned parties employ to account and justify the lost opportunity costs?

Answer 1. Opportunity cost can be defined as the value of the next best alternative forgone. It can be defined as the revenue or the profit that a person/organization would have been able to earn if it had exercised the alternative decision instead of the decision that has been made.

The question of the opportunity cost arises in the case of mutually exclusive choices. When the organization has limited resources (time, money, skill or man power) and they can be employed for limited number of projects/exercises. As a result of this even though some of the decisions/projects if exercised might have increased the wealth of the company but still they cannot be carried out.

Opportunity costs are often overlooked in decision making. For example, to define the costs of a college education, a student would probably include such costs as tuition, housing, and books. These expenses are examples of accounting or monetary costs of college, but they by no means provide an all-inclusive list of costs. There are many opportunity costs that have been ignored: (1) wages that could have been earned during the time spent attending class, (2) the value of four years' job experience given up to go to school, (3) the value of any activities missed in order to allocate time to studying, and (4) the value of items that could have purchased with tuition money or the interest the money could have earned over four years.

These opportunity costs may have significant value even though they may not have a specific monetary value. The decision maker must often subjectively estimate Opportunity costs.

Opportunity-cost evaluation has many practical business applications, because opportunity costs will exist as long as resource scarcity exists. The value of the next-best alternative should be considered when choosing among production possibilities, calculating the cost of capital, analyzing comparative advantages, and even choosing which product to buy or how to spend time. According to Kroll, there are numerous real-world lessons about opportunity costs that managers should learn.

Q 2. Explore the possibility of mapping various decision-making methods and tools to the various kinds of decisions that organizations need to make and elaborate the steps involved.

Answer 2 . The need to make good decisions is never-ending in effective technology and business organizations. To manage these, there are decision-making methods and tools that improve the chance of making good, robust decisions.

Decision Making Model in Five Steps

1. State The Problem - The first step is to identifying the problem. Until we have a clear understanding of the problem or decision to be made, it is meaningless to proceed. If the problem is stated incorrectly or unclearly then our decisions will be of no use.

2. Identify Alternatives –Research is being done and finds possible alternatives. It may give a cushion to delve on the problem.

3. Evaluate The Alternatives - This is the analytic approach. We must have some logical approach to rank the alternatives. Two such logical approaches are A Decision Matrix and SWOT Analysis. These analysis methods are only one of the five steps in the decision making model.

Decision Matrix: A decision matrix evaluates and prioritizes a list of options. The team first establishes a list of weighted criteria and then evaluates each option against those criteria. This is a variation of the L-shaped matrix.

SWOT Analysis: A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

4. Make A Decision - Evaluated the alternatives. Two or more high ranked alternatives may be very close in the evaluations. So eliminate all of the alternatives that were low ranked. Now it is time to go back and examine the inputs made to

evaluate for a close high ranked alternatives. Lastly eliminate the alternatives that do not make logical sense. Now it is time to let our subconscious work. Review all the details of the remaining high ranked close alternatives, so they are completely clear in our mind. Completely leave the project alone for a few days. When we return to the project, the decision will likely be very clear in our head. This only works if we have done our homework!

5. Implement Your Decision - A decision has no value unless you implement it. Therefore it should be implemented diligently. If we are not a good implementer then we can take help of some expert. Part of the implementation phase is the follow up. The follow up ensures that the implementation sticks.

This decision making model in five steps shows a logical structured methodology for making a decision. The discipline that it provides will guide us to the goal of good Decision making.

Q 3. The various environmental factors affecting an organisation internally and externally are more than often interlinked and related. In what manner might it be suggested to have a unified contingency plan in certain cases, or anticipating and accordingly dealing with the factors individually in other cases?

Answer 3. Organizational growth depends on environmental factors. But there are two types of environmental factors which are as follows:-
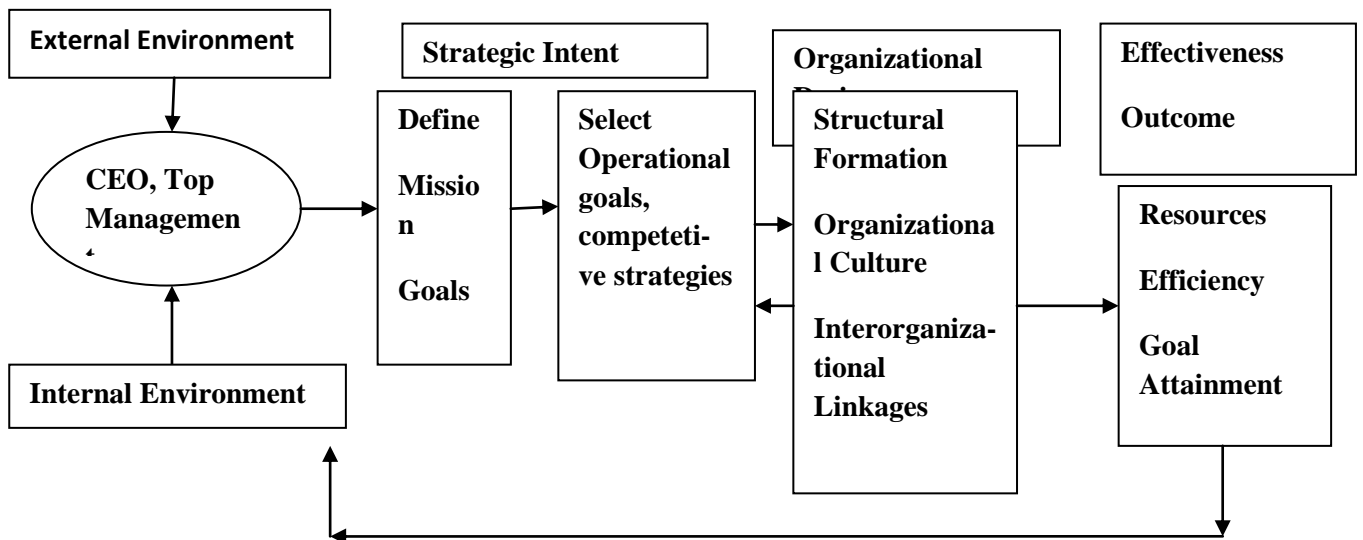
External environmental factors

- ➢ Political legal factors

- ➢ Economic factors

- ➢ Socio/Cultural factors

- ➢ Technological factors

- ➢ Demographics

> ➤ Competition

Internal environmental factors

> ➤ Suppliers

> ➤ Distributors

> ➤ Employees

> ➤ Wholesalers

> ➤ Shareholders

> ➤ Partners

External Environment		Strategic Intent		Organizational		Effectiveness

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┌─────────────────────┐      ┌─────────────────┐       ┌──────────────────┐      ┌──────────────┐
│ External Environment│      │ Strategic Intent│       │ Organizational   │      │ Effectiveness│
└─────────────────────┘      └─────────────────┘       │                  │      │              │
          │                                             │                  │      │ Outcome      │
          ▼                  ┌────────┐ ┌───────────┐   │ Structural       │      └──────────────┘
 ┌────────────────┐          │ Define │ │ Select    │   │ Formation        │
 │   CEO, Top     │          │        │ │Operational│   │                  │      ┌──────────────┐
 │  Managemen     │───────▶  │ Missio │ │ goals,    │──▶│ Organizationa    │      │ Resources    │
 │                │          │ n      │ │competeti- │   │ l Culture        │      │              │
 └────────────────┘          │        │ │ve strateg.│◀──│                  │      │ Efficiency   │
          ▲                  │ Goals  │ │           │   │ Interorganiza-   │──────▶│             │
 ┌────────────────┐          └────────┘ └───────────┘   │ tional           │      │ Goal         │
 │Internal Environ│                                      │ Linkages         │      │ Attainment   │
 └────────────────┘                                      └──────────────────┘      └──────────────┘
          ▲                                                                                │
          └────────────────────────────────────────────────────────────────────────────────┘
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The Contingency Model

The above model gives us an idea how an organization can control its internal and external factors. The top management employers should be keen in keeping a harmony within the organization by maintaining good linkages, motivating the lower level employers, defining the mission and goals of the organization and correct organizational design.

Mission & Goals

> ➤ Profitability

- ➢ Market share

- ➢ Growth

- ➢ Social Responsibility

- ➢ Product Quality

Culture

- ➢ Positive Work Culture

Internal

- ➢ Team Spirit

- ➢ Loyalty

- ➢ Rewards

- ➢ Horizontal and Vertical Communication

Outcome

- ➢ Proper use of resources

- ➢ Efficiency

- ➢ Harmony

The goal approach measures effectiveness by evaluating the extent to which output goals are achieved. This is a logical approach because organizations do try to attain certain levels of output, profit and client satisfaction. As from the model both the external as well as the internal factors are maintained or supervised by the top management. Just to make it a good one they plan a strategic movement which is defining of mission and goals, decentralizing the organization and maintaining proper work flow among the workers in the company. Today's CEOs are finding new ways to measure effectiveness such as "soft" indications such as customer delight and employee satisfaction. An evaluation of human resources and their effectiveness is important. Indicators of effectiveness include strong corporate culture and positive work climate, operational efficiency, undistorted horizontal and vertical

communication and development of employees. But effectiveness is measured by what the organizational does with the resources it has, reflected in internal health and efficiency.

Q 4.What means, tools, and methodologies have been developed and thus made available for organizations to be enabled to better work with scenarios?

Answer 4. Means, tools, and methodologies: (for organizations to be enabled to better work with scenarios)

SCENARIOS:

- Scenarios are internally-consistent stories of possible futures. What would we do if this scenario came about?

  (Arie de Geus former head of Planning for the Shell Group)

- Scenario thinking (planning) is not about predicting the future, and surprisingly enough, not about choosing the best way forward, though indeed a powerful and invaluable tool which helps this. Its primary value lies in the development of new faculties for improving decision making in those that practice it regularly.... (Galt et al – Idon scenario thinking)

Characterisation of scenarios planning process:

- There are an infinite number of scenarios
- Identify the question - strategic intent
- Identify main driving forces
- Select two scenario axis
- make them significantly different – take the extremes

1) PEST Analysis (or sometimes called as STEP analysis) is a simple but important and widely-used tool that helps one to understand the big picture of the environment comprising of

- Political

- Economical

- Socio-Cultural

- Technological

PEST analysis is very important tool through which an organization considers its environment and influences there of particularly in past, the extent to which the changes occurring are significant for future. The organization is made up of following key environments:

1. The internal environment e.g. staff (or internal customers), office technology, wages and finance, etc.

2. The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc.

3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as PEST factors

2) PORTER'S DIAMOND

- Developed by Michael Porter, a famous Harvard professor.
- Porter believes that classical theories on comparative advantage of firms are inadequate (even wrong).
- A nation can be competitive only if its firms are competitive and innovative.

The "Diamond"
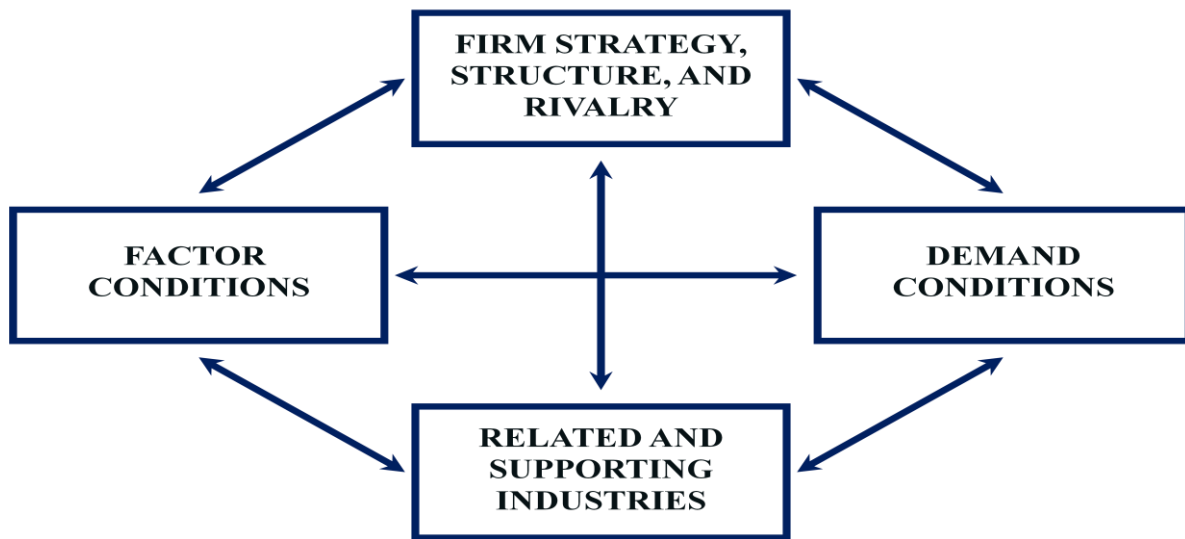
FACTOR CONDITIONS

Factor conditions are the inputs used by a firm.

Two types –

 1. key factors

 2. non-key factors

Porter argues that a lack of resources often actually helps countries to become competitive. Abundance generates waste and scarcity generates an innovative mindset.

DEMAND CONDITIONS:

- a sophisticated domestic market is an important element to producing competitiveness.
- If the nation's discriminating values spread to other countries, then the local firms will be competitive in the global market.

  Thus understanding scenarios and applying the relevant tools help in better working of the organizations.

Q 5. The pursuit and enablement of Automation always brings organizations to the crossroads of having to choose between product variety and product volume. Since neither can be chosen at the cost of the other, what sort of a trade-off is advised, and how can an organisation arrive at such precarious compromise?

Answer 5. In order to cater to the changing needs of an environment an organization needs to be flexible in its processes so that it can change the production from one product to another without incurring huge set up cost. But at the same time it needs to have standardized process in order to reap the benefits of mass customization. Both these requirements are generally at loggerheads with each other and while automating its processes an organization has to undergo certain tradeoffs to maximize their profitability. In the early days focus was on economies of scale (i.e. mass production) to minimize the cost. The production lines were designed according to a specific product. But as soon as the product became obsolete the lines had to given up resulting in the wastage of incurred cost. In today's environment of rapidly changing tastes, the focus is placed on economies of scope. The essence of economies of scope is

Cost of producing a bundle of different product configurations on a particular piece of multi-mission equipment is the same as the cost of producing the same items on various pieces of specialized equipment designed for each particular product configuration.

Hence the new wisdom advocates the tradeoff between product volume and product variety by investing in the below strategies:

1. Programmable automation – Programmable automation facilitates flexibility by embedding machine control in computers. By using computer aided designing we have more flexibility in the processes and at the same time we can also reap the benefits of mass production to some extent. It helps reap the benefits of high flexibility simultaneously with low per unit cost

2. Workforce development – The flexibility of the process can be improved by the application of programmable automation but the implementation of programmable automation must be supported by workforce development

programs like training, leadership, worker empowerment and the use of small cross-functional team. Empowering workers to come up with innovation at work is critical to achieving increased flexibility

3. Process design – The third and final step in achieving the desired objective is to design a supporting process. It can be done by using Group technology for production. Group technology is an approach to manufacturing where all the equipment required to make a product are divided into various groups or family by identifying some similar characteristics.

(Reference: Encyclopedia of Production and Manufacturing Management By Pual M Swamidass)

Q 6. The milestones of mechanization, automation and computerisation always create the need for re-organization at all levels of management, and even in the work-force. In what ways can the organisations sustain such re-organising of the management and workforce, and also cope with the hierarchical changes?

Answer 6. An organization that has currently undergone the processes of mechanization, automation, and computerization must also undertake some managerial changes that are in alignment with the proposed changes.

For mechanization some of the managerial concerns that might be considered would be:

- close adherence to the chain of command
  - o this might be because after mechanization process become more co dependent so maintenance of chain of command becomes critical
- a functional division of work into specialized activities/job
  - o this is in alignment with purpose of mechanization i.e. installing machines
- use of the formal hierarchy for coordination
- detailed job descriptions that provide a precise definition of rights, obligations, and technical methods for performing each job
- vertical interaction - "supervisor and subordinate"

- mechanization leads to specialization of jobs hence interaction for operational purposes become critical

For automation one critical aspect is training the work force to be more acceptable to technology. This could imply more training programs on how to operate the new machines, their maintenance, their controlling procedures et al.

Another aspect of automation would consider the following issues:

Automation may

- Wipe out certain jobs

- Reduce contents of certain jobs

- Combining several jobs into one.

Thus remedial managerial issues have to be corrected or realigned for the new structure.

Case study: Central Power Systems

System Summary

Central Power Systems distributes small engine service parts and outdoor power equipment through a network of 6000 registered service dealers in several states throughout the US and the Bahamas.

Business Challenge

- Central Power Systems (CPS) asked ASAP to help plan their move into a new, larger Distribution Center in Columbus, Ohio.
- ASAP Automation had helped integrate a small system for Central Power Systems back in 1999.
- ASAP needed to assist CPS with planning for future growth, increased accuracy, and higher productivity levels.

Results

ASAP successfully delivered the project on-time and within budget despite a very aggressive implementation schedule. ASAP provided CPS with a slotting analysis for more efficient picking CPS is well positioned to meet their future growth goals.

Issues:

- Reduce workforce
- Convince union workers
- Train workers
- Change operational structure of organization
- Recruit competent personnel etc.

Q 7. The dynamics of internal organizational politics and lobbying continuously feeds the machinery of organisational conflict. What can organisations do so as to curtail such tendencies, and to prevent or cure such organisational malaise?

Answer 7:   Organisational politics is the tendency of the individuals and groups to promote their self interest at the expense of others. It is an outcome of the struggle for resources, power and tactical influence. It is so intricately woven with the system that performances, relationships and outcomes are influenced by it. In this modern world where most people are selfish it is very difficult or in fact impossible to escape this phenomenon called organisational politics. We can only think of curtailing it. There are many factors that lead to this problem and is important to understand them before we try to address the problem.

Some of the factors are being explained here.

1) The inability of an individual to progress through the hierarchy via normal methods of advancement sometimes leads them towards playing tactical games. They lose belief that they will go far in their career with hard work and competence.

2) The quest for power also motivates a lot of individuals to go for organisational politics wherein using their leadership qualities these people try to influence the opinions and thinking of individuals around them.

Various ways in which this menace can be curtailed are as follows:

1. The companies should lay down policies and procedures that need to come into affect if any employee is found indulging in organisational politics. It may include penalties and demotion for the culprit and awards for the individual that brings such cases to light.

2. There can also be workshops on team building and coherence within the team so that the individuals think about the welfare of their co-workers rather than plotting their downfall. It can be done through organising team outings, making them play games where they need to work in team and find solution to a set of problems.

3. There should be a culture of team rewards where in the whole team is rewarded for their achievement rather than the individuals.

4. The individuals should be taught about the ethics and moral values at the workplace. The respect for justice and human rights should always take precedence while taking decisions in the organisation.

5. The leaders in the organisation should be nurtured in a right way as they are the sources of power and politics in the organisation. They should be taught to keep an eye on the subordinates for political activities and also know the ways to manoeuvre the organisation towards its goal through such activities.

Q 8. Every process of negotiation must be prevented from sliding into bargaining for either of the concerned parties, and be kept within the confines of healthy and fairly balanced compromise. How can the concerned parties work towards healthy negotiations from the respective fronts?

Answer 8. Negotiations are required to meet organizational goals and objectives. There are various internal as well as external negotiations required for the organization. The process of negotiation can be broadly divided into 3 stages:

- Preparation Phase
- Actual negotiation process
- Follow up

To ensure that the process of negotiation remains within the confines of healthy compromise we need to assess the party's relative strengths, i.e. the power of the party to influence others to have an upper hand over the final outcome. For assessing the relative strengths, the amount of authority and the ability of parties to make decisions should be evaluated. Along with it, the strength to get sanctions/benefits and the logic in the arguments should also be considered.

Secondly, the objectives of the negotiation process should be set. The best achievable outcome as well the lowest acceptable outcome should be identified. At the same time, close look on the other parties' plans, strengths and weaknesses should be kept for a winning strategy. The detailed facts and arguments, issue should be the preparatory assessments.

Negotiations can be done in a variety of styles, like brisk, formal, informal, assertive, persuasive, etc. To lead to effective negotiation process, an apt style should be adopted keeping into mind the styles of the involved parties.

Options for mutual gain for all the parties involved in the process of negotiation should be thought of. Focus should be on interests and objective criteria. A clear cut action plan should be planned in advance. If the subject, scope and purpose are fixed, we can expect healthy negotiations. A controlled display of emotions and a conscious decision would be beneficial. Good listening skills should be there to completely understand the view and points of the other parties and also respond to the other parties. Breaks and adjournments are helpful for avoiding monotonous discussions. This provides time for considering progress of the negotiation process as well as brings in new proposals.

When reaching at an agreement, the discussion needs to be sensitively handled. Weighing the benefits of the agreement, both short term as well as long term views should be thought of. Ensuring that all parties understand what has been agreed is beneficial.

Q 9. Resistance to evaluation, assessment, and appraisal is common. What tools can an organization use to prepare it for such situations? Are there any tools that it can employ during these processes to continue alleviating resistance?

Answer 9. Speaking lexically, resistance means a force that retards, hinders, or opposes motion.

And ergo, when a person tries to evaluate another person, he is trying to mobilize his opinion, beliefs, and judgment against him. No wonder, he is met with resistance.

No one likes to be judged.

"It is simple human nature to resist being evaluated."

- But at the same time it should be noted that some people do welcome the evaluation as they think it helps them to understand where they stand.
- Recent research shows that 76 % of Global 2000 firms do not conduct benchmarking at least once a year. Only 19 % do conduct it annually, while just 14 % continuously refresh their benchmarks.

Resistance may exist because of:

1. persons who feel overburdened already

2. skepticism about elected officials
3. fear that the data will be used to reduce budgets, to eliminate staff, or in other negative ways
4. perceiving it as a sign no confidence in their abilities
5. fear that it is the first step in an enforced speedup of operations

6. simple fear that performance inefficiencies, heretofore hidden, will now be revealed by performance evaluation.

Another problem is that supervisors may resist conducting an appraisal program. Supervisors may argue that:

      i. regular evaluations are useless

     ii. their people won't like it

    iii. it will damage their relationships

    iv. there is potential for disagreements.

     v. they fear of being wrong.

Supervisors rightfully fear making wrong judgments, being challenged about them, and looking foolish if proved wrong.

HOW TO COUNTERACT RESISTANCE?

Some of the measures to limit resistance are:

1.) Involving operating personnel, and clients, in the design of the performance evaluation system. It's a wonderful concept called"employee buy-in."

2.) Establishing incentives to encourage managers to use evaluation information, such as providing greater operational and budgetary flexibility in return for accountability.

3.) Providing training to help managers and other stakeholders understand the importance and benefits of performance evaluation.

Q 10. 'Judge a man by how he treats not his superiors, but his sub-ordinates'. How can the 360 degree appraisal method prevent sub-ordinates from providing wrong or harmful feedback for their superiors during the appraisal process?

Answer 10. Let us understand the 360 degree appraisal process

What is 360 degree appraisal?

360 degree feedback is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job.

Who are the participants?

The participants for an employee could be the peers, managers, subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

What are the major components?

360 degree appraisal has four integral components:

1. Self appraisal

2. Superior's appraisal

3. Subordinate's appraisal

4. Peer appraisal.

Self appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal forms the traditional part of the 360 degree performance appraisal where the employees' responsibilities and actual performance is rated by the superior.

Subordinates appraisal gives a chance to judge the employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, co-operation and sensitivity towards others.

How does the process prevent sub-ordinates from providing wrong or harmful feedback for their superiors during the appraisal process?

The beauty of the appraisal process is that an employee's appraisal is not dependent on the feedback of a particular person, but on feedback of a group of persons in contact with that employee. Hence, it dilutes the effect of any prejudice that an employee may be having against other (it could be the superior, subordinate or peer).

Every employee providing feedback knows that an aberration to the general feedback about the appraise would cause a probable check which would have repercussions on the employee providing that feedback (if found guilty). Hence he/she would refrain from providing any negative or unwarranted feedback.

The process gives an employee the best possible chance to get a fair appraisal. The superior here would have a negative feedback only if all the subordinates and peers rate him negative which would not happen if it were not the case.