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Planning

BIT
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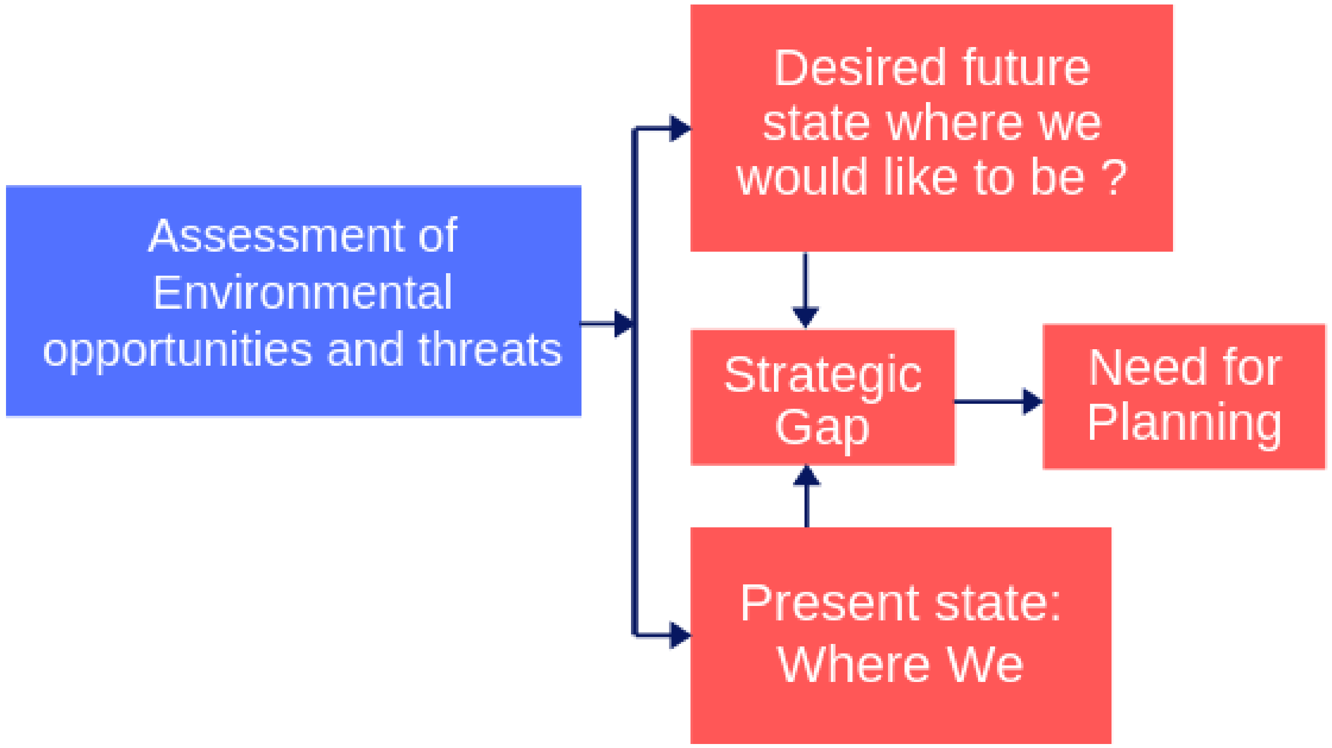
Patan Multiple Campus

Introduction

According to ***Ricky Griffin***

- *"Planning is setting an organization's goals and deciding how best to achieve them."*

- **p**rocess of setting future goals, objectives and choosing appropriate actions to achieve them
- deciding in advance about what to do, how to do it, when to do it and who is to do it
- It is time bound
- process of establishing goals and choosing a course of action for achieving those goals



Planning Model

Characteristics of Planning

- Focus on Goal
- Primary function
- Pervasive activity
- Future oriented
- Continuous activity
- Intellectual work
- Flexible
- Efficiency and economy
- Actionable

Importance of Planning

- Focus on goal
- Minimize uncertainty
- Maintain effective control
- Innovation and creativity
- Organizational effectiveness
- Economy in operation
- Facilitates coordination
- Avoids business failure

Levels of Planning

1. On the basis of Hierarchy

- **Strategic Plan**

  Strategic plans, grand plans or corporate plans are the long- term plans prepared by the top level management after environmental scanning. It gives a clear explanation of how to achieve the defined objectives as there is high degree of uncertainty in strategic plan.

- **Tactical Plan**

  It is the sub- division of corporate plan which is prepared by departmental managers. It is prepared to perform divisional activities like production, finance, marketing, personnel, etc.

- **Operational Plan**

  It is a specific action plan of each and every activity of the unit which concentrates on the best use of organizational resources.

2. On the basis of Time- period

- **Long- term Plan**

  The plans which have a continuing value for five years or more that include corporate level goals and strategies are regarded as long- term plans.

- **Medium- term Plan**

  Medium- term or immediate term plans have a time horizon between one and five years that include business level goals and implementation of strategic plans.

- **Short- term Plan**

  The life span of short- term plans is not more than a year that includes day- to- day operations regarding manufacturing, marketing and more.

3. On the basis of Frequency of use

- **Single Use Plan**

  It is prepared for a specific purpose in non- programmed situation and is non- repetitive in nature.
  Example- project program and budget.

- **Standing Use Plan**

  It is prepared for programmed decision making situation and can be implemented in different situation and repetitive activities.
  Example- rules, policies, procedures, strategy, etc.

4. On the basis of Flexibility

- **Specific Plan**

  It is developed for a particular department or unit by stating all the specific plans and resources to be used clearly.

- **Flexible Plan**

  It is changeable on the basis of time and situation and is not specific in terms of procedures and resources. It can be modified on the basis of the facility and requirement.


STRATEGIC PLANNING
The setting of broad, long-range goals by top managers
TACTICAL PLANNING
The identification of specific, short-range objectives by lower-level managers
OPERATIONAL PLANNING
The setting of work standards and schedules
CONTINGENCY PLANNING
Backup plans in case primary plans fail

Hierarchy of Planning

1. Vision
2. Mission
3. Goals
4. Strategies
5. Policies
6. Procedures
7. Rules
8. Programs
9. Budgets

- **Mission:**

  It defines who we are, what we do and who we want to become. It is the reason for the existence of an organization.

- **Vision:**

  It specifies a desired future state. It focuses on the long term objectives of the organization.

- **Goals/ Objectives:**

  It refers to the planned results to be achieved. It defines what is to be achieved and should be consistent with the mission of an organization.

  [SMART: Specific, Measurable, Attainable, Realistic and Time-bound]

- **Strategies:**

  It is a comprehensive master plan to achieve a goal. It includes means (ways and techniques) to the reach the ends (goals).

- **Policies:**

  It is a comprehensive guideline for decision making that defines the areas within which a decision is to be made and implemented.

- **Procedures:**

  These are the sequential steps that describe in detail how a particular task is to be performed. The guides and action should be conducted in the exact manner as per the plan.

- **Rules:**

  Rules must be followed precisely and observed strictly so that no rules are violated in due course of action.

- **Programs:**

  It is a statement of activities or aggregate (average) of several related action plans that are designed to accomplish a mission.

- **Budgets:**

  It is the financial plan which is presented in terms of money. It is designed to allocate the resources of an organization.

Steps of Planning

1) Analyze Opportunities
2) Setting Goals
3) Determination of premises
4) Determination of alternatives
5) Evaluation of alternatives
6) Selecting a best course of action
7) Formulation of derivative plans
8) Implementation of plan
9) Reviewing the planning process

1. Analyze Opportunities:

The management has to analyze the Strengths, Weaknesses, Opportunities and Threats (SWOT) to make a successful plan. Strengths and Weaknesses are the outcome of internal environment whereas Opportunities and Threats arise from external environment.

2. Setting Goals:

Specific, clear and practical objectives should be set at the starting point of planning. They should also be time- bound not idealistic or over- ambitious.

3. Determination of premises:

Premises are the assumptions of the future on the basis of which the plan is formulated. The various premises are to be studies well first, therefore.

4. Determination of alternatives:

The management must identify and develop all alternatives from the primary and secondary sources of the firm.

5. Evaluation of alternatives:

Each alternative is to be evaluated in terms of some common factors such as risk, responsibility, planning premises, resources, technology, etc.

6. Selecting a best course of action:

Manager needs to select the best course of action on the basis of past experience, present situation and future contingencies of the particular decision.

7. Formulation of derivative plans:

Sub- plans or supporting plans for each department of the organization should be formulated as it is difficult to implement basic plan without the formulation of derivative plans.

8. Implementation of plan:

A plan should not be limited in paper only. So, a manager needs to communicate the plan, guide the sub- ordinates, arrange the resources and supervise the activities for the implementation of plan.

9. Reviewing the planning process:

Planning is a continuous function due to which a manager should evaluate the actual performance and should also take corrective action in proper time to ensure the effectiveness of the plan.

Tools for Planning

1) Forecasting
2) Network Technique
3) Flow Chart
4) Gantt Chart
5) Breakeven Analysis
6) Linear Programming
7) Simulation

1. Forecasting

- It includes predictions, projections or estimates of future situations that may significantly affect a business.
- It is concerned with the reduction of uncertainty that exists in some part of the future.
- Examples: time series analysis, regression analysis, moving average method, etc.
- It is the process of developing assumptions such as:
  - What if we change the price by 10%?
  - What will happen if we enter a new market?

2. Network Technique

- It is used to plan and control the time and cost of a project.
- Examples: Program Evaluation and Review Technique(PERT) and Critical Path Method (CPM)
- PERT develops a network of activities and their inter- relationship.
- CPM is the longest path in which the project can be completed in the shortest time.

3. Flow Charts

- It is used to simplify tasks through sequencing.
- It uses boxes for events or activities, diamonds for key decisions, ovals for start and stop points, etc.
- Its motive is to eliminate wasted steps and activities.
- It indicates the steps but does not define the time required for the completion of these steps.

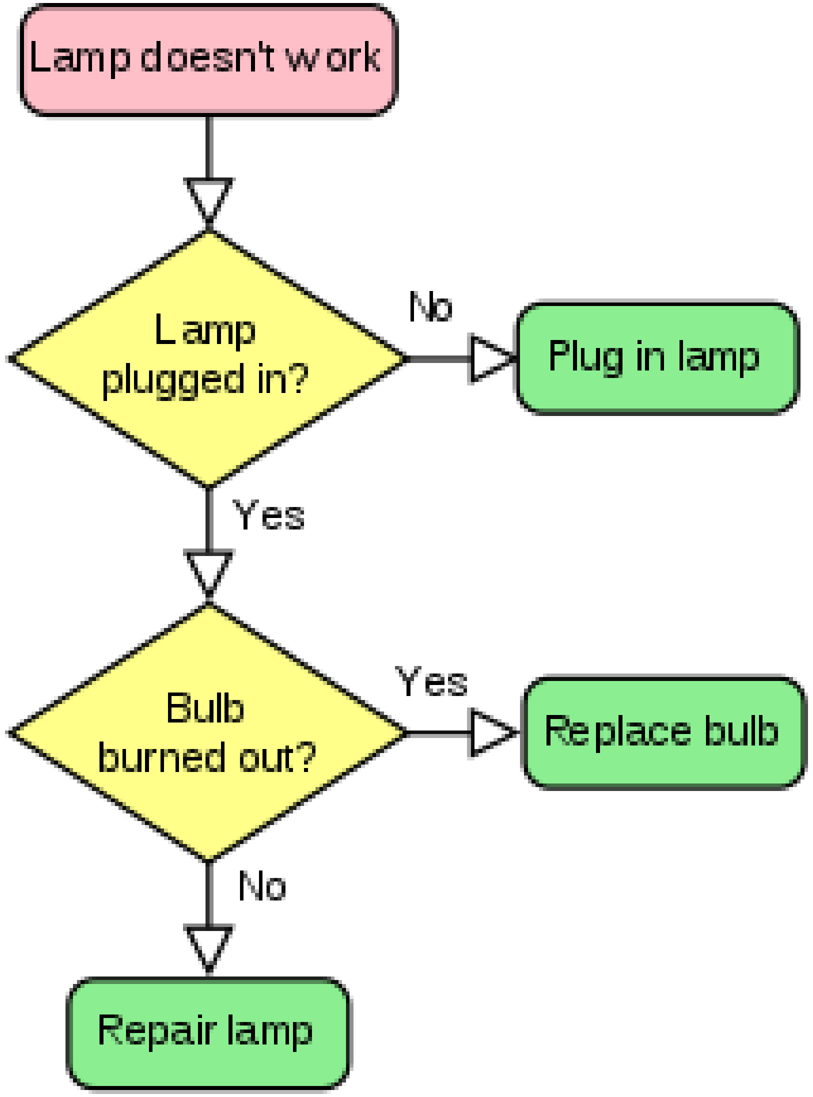


Fig * Flowchart

4. Gantt Chart

- It depicts a schedule of implementation.
- It focuses on activities and time required to complete them.
- It was developed by Henry L. Gantt during the early 1900s.
- It is a bar graph with time on the horizontal dimension and activity scheduled on the vertical dimension.

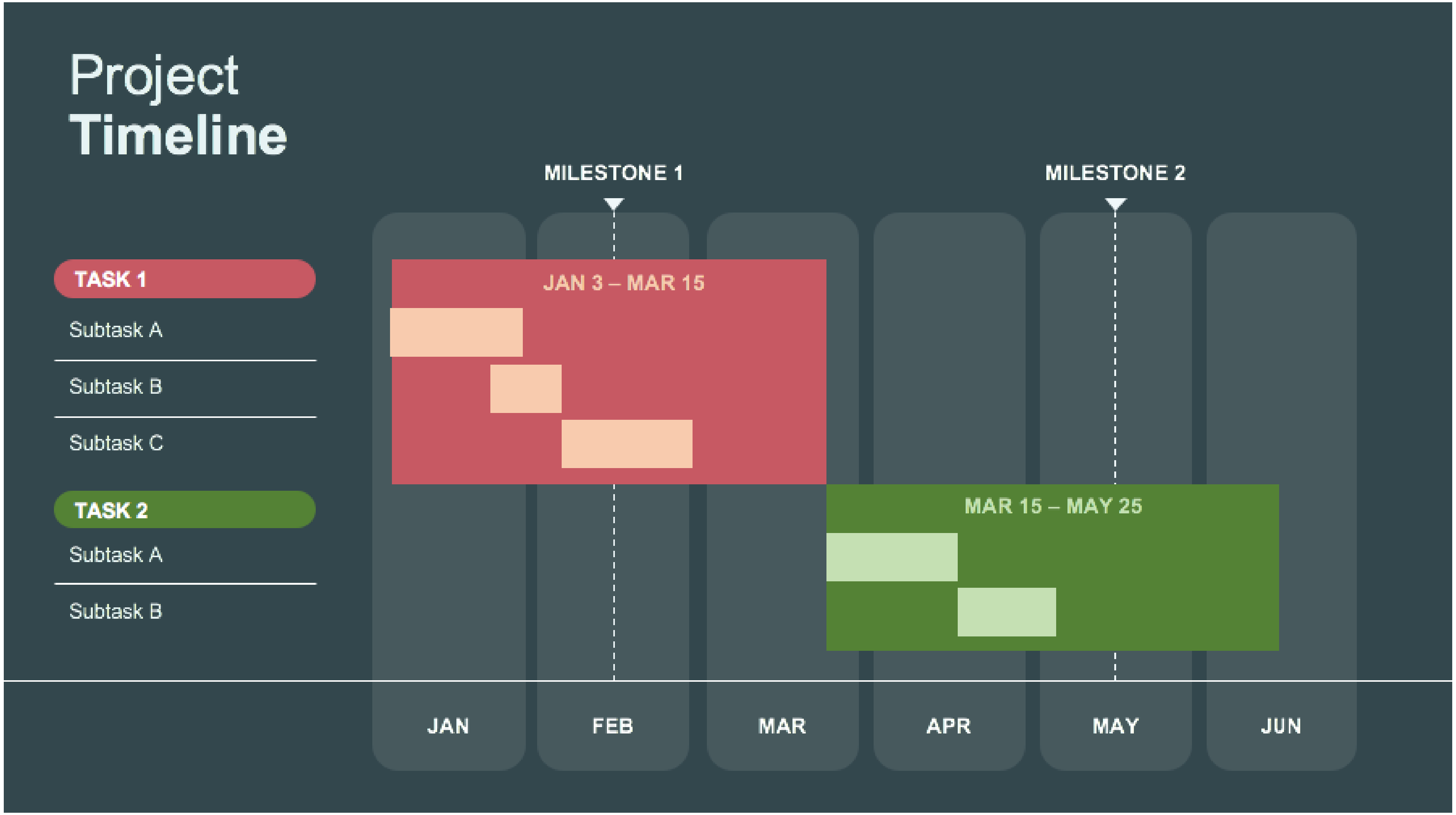


Fig * Gantt Chart

5. Break- even Analysis

- Break Even Point (BEP) is the level of activity in which cost becomes equal to the revenue.
- It is also known as cost- volume profit (CVP) analysis.
- BEP= FC/ (S- VC)

  where FC= Fixed Cost

  S= Sales Revenue

  VC= Variable Cost

Break-Even Analysis

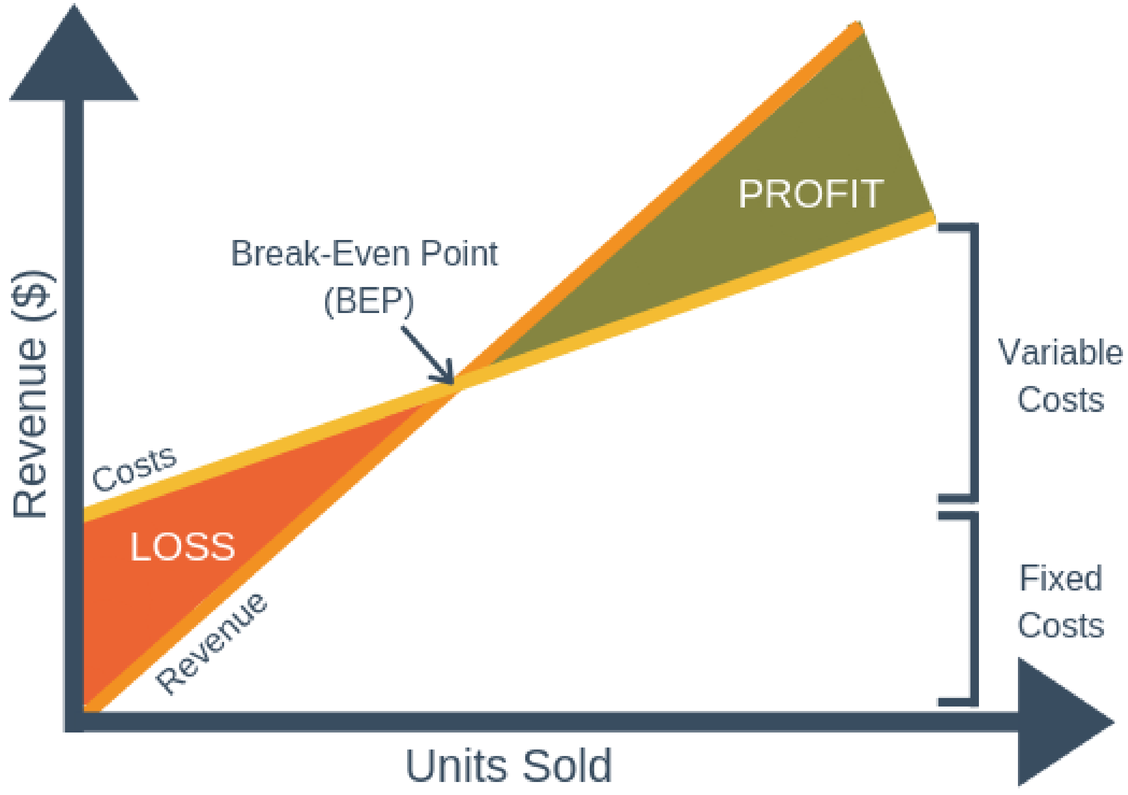


Fig * Break Even Analysis

6. Linear Programming

- It is a mathematical tool used for optimum combination of scarce resources and activities.
- It is used for maximizing profit and minimizing costs.
- It is appropriate when objective must be met within a set of constraints.

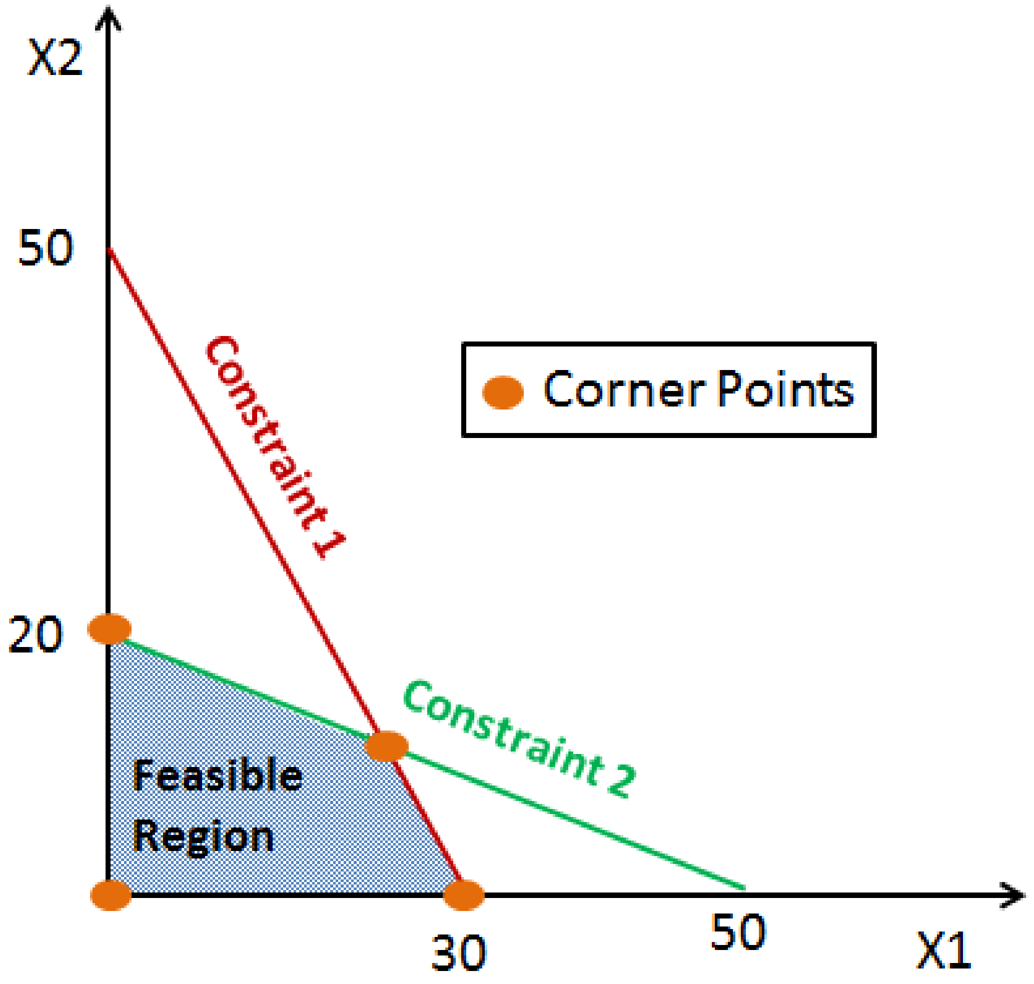


Fig * Linear Programming

7. Simulation

- It represents a model to solve real life problems.
- Computer programming is used to find out a set of output with the combination of different variables.
- It is descriptive in nature.

Planning Premises

- These are the assumptions and predictions about future change in environment factors.
- Since the future is uncertain, premises guide in effective planning.
- These spell out stage of the expected future event which is believed to be exist when plans operate.
- These provide a framework for more realistic and operational plans.


Types of Planning Premises
1. Internal and External Premises
2. Controllable, Semi-controllable and Uncontrollable Premises
3. Tangible and Intangible Premises
4. Constant and Variable Premises

1. Internal and external premises:

Internal premises exist within a business enterprise. Example- sales forecast, plant and machinery, product line, etc.

External premises are those which lie outside a firm. Example- political, economic, socio- cultural, technological forces etc.

2. Controllable, semi- controllable and uncontrollable premises:

Controllable premises are entirely within the control and realm of management. Example- internal policies, rules, research projects, etc.

Semi- controllable are partially under the control of management. Example- trade union relations, demand of product, etc.

Uncontrollable premises are beyond the control of management. Example- natural calamities, war, strike, etc.

3. Tangible and intangible premises:

Tangible premises are those which can be measured quantitatively in terms of money, time and units of production. Example- labor hour, machine hour, etc.

Intangible premises are those which cannot be measured quantitatively. Example- reputation of business, public relations, motivation, etc.

4. Constant and variable premises:

Constant premises are those which do not vary/ change in relation to the course of action. Example- men, machine, money, etc.

Variable premises are those which vary in relation to the course of action. Example- sales volume, etc.