Module: II

a. Planning

b. Decision Making

Planning - Meaning and Concept

- Planning is essential in every walk of life.
- In every human activity, there is an element of planning.
- Your parents plan the household and other expenditure,

  they also plan the daily household chores,

  a teacher plans the teaching work,

  you, as a student, plan your studies and

  the farmer plans his agricultural activities.

Planning - Meaning and Concept

- **In the business field**, the need for planning is all the more because of various factors such as

  fluctuations in demand,

  growing competition,

  introduction of new products,

  scarcity of resources,

  changing technology,

  change in prices,

  government policy, etc.

Planning - Meaning and Concept

- In the absence of a plan, an enterprise would be like a ship without a rudder.
- Organisational activity without a plan is likely to be ineffective, without achieving success.
- Hence, planning is a must for business organisations.

Planning - Meaning and Concept

- An organization can be successful in effective utilization of its human financial and material resources only when its management decides in advance its objectives, & methods of achieving them.
- Without it purposive and coordinated effort is not possible, and what results are chaos, confusion and wastage of resources.

Planning - Meaning and Concept

- Business planning should be a way or mode of life essential to maintain the health of an enterprise.
- It demands a firm determination and conviction to plan constantly and systematically and business planning must be an integral part of the Management.
- Today, planning is considered as a strategic area of management in the context of globalization of business operations - a process of identifying the strengths and weaknesses of an organization and correlating them with opportunities available in the business world.

Planning - Meaning and Concept

- Planning is the most basic of all the managerial functions - the first Management function to be performed in the process of management - necessary for discharging all other management functions.
- Planning concentrates on setting and achieving objectives of an organisation.
- Planning is the determination of courses of actions to achieve the desired results.
- It governs survival, growth and prosperity of any organisation in competitive and ever-changing environment.

Planning - Meaning and Concept

- Planning involves determination of objectives of the business, formation of programmes and courses of action for their attainment, development of schedules and timings of action and assignment of responsibilities for their implementation.
- Effective planning facilitates early achievement of objectives.
- Planning thus precedes all efforts and action, as it is the plans and programmes that determine the kind of decisions and activities required for the attainment of the desired goals.

Planning - Meaning and Concept

- Planning exists in all enterprises irrespective of their size.
- Planning is required for all organizations and also for every level of organisation.
- It is not an exclusive responsibility of the top management but is performed by each manager at every level in an enterprise.
- From the managing director down to the first-line supervisors — all plan in an organisation, although the breadth and scope vary with the level of the hierarchy.

Planning - Meaning and Concept

- Planning is a prerequisite of every management function, whether it is organising, staffing, directing or controlling.
- All these functions have to be preceded by a system of efficient planning otherwise the persons concerned with executing them will find it difficult to perform them systematically and efficiently.
- While performing the organisation function, the top management has to evolve the concept of proper flow of authority, responsibility among the superiors and the subordinates and also the extent of delegation of authority.

Planning - Meaning and Concept

- Under staffing, the top management has to determine policies and programmes in respect of recruitment, selection, placement, training etc.
- The direction function can be performed efficiently, if the systems of communication and motivation are planned properly.
- In the absence of planning, it will be impossible to decide what activities are required, how they should be combined into jobs and departments, who will be responsible for what kind of decisions and actions, and how various decisions and activities are to be coordinated.

Planning - Meaning and Concept

- And, in the absence of organizing, involving the above managerial activities, staffing cannot proceed, and directing cannot be exercised.
- Planning is also an essential prerequisite for the performance of control function, as it provides criteria for evaluating performance.
- The performance of the control function is largely dependent upon the effectiveness of planning.
- The designing of control system starts with the formation of various plans.
- **Planning** precedes all managerial functions, and it **is closely related to controlling**.

Planning - Meaning and Concept

- Planning is deciding in advance what to do, how and when to do it and who is to do it.
- These are the different aspects of planning process.
- The main principle of planning is that adequate planning must take place before doing the physical efforts to effectively accomplish a goal.
- It requires a difficult mental exercise, a keen foresight, analytical mind and broad based knowledge of facts.

Planning - Meaning and Concept

- In planning, the manager must be able to manipulate abstract ideas and anticipate the impact of any possible outcomes which may affect the enterprise.
- Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgement.
- It involves both thought and communication.

Planning - Meaning and Concept

- There are two essential aspects of planning.
- Merely, selecting goals and targets to reach, is not planning.
- That is only one phase of the process.
- Other necessary phase involves selecting or designing appropriate techniques and procedures that will be instrumental in arriving at the goals.
- One without the other does not provide a plan.

Planning - Meaning and Concept

- Planning bridges the gap between where we are and where we want to go.
- Planning is a systematic attempt to decide a particular course of action for the future; it leads to determination of objectives of the group activity and the steps necessary to achieve them.
- It involves anticipating future requirements and challenges.
- It also involves sequencing future resources and actions to minimise the delay and waste which could arise if events were allowed to take their natural pace and chronological order.

Planning - Meaning and Concept

- To plan is to produce a scheme for future action; to bring about specified results, at specified cost, in a specified period of time.
- Thus, it is a process of thinking before doing.
- It is deliberate attempt to influence, exploit, bring about, and controls the nature, direction, extent, speed and effects of change.
- It may even attempt deliberately to create change.
- Planning is a deliberate and conscious effort done to formulate the design and orderly sequence actions through which it is expected to reach the objectives.

Planning - Meaning and Concept

- Growth and prosperity of an organization depends upon its successful planning.
- Planning helps the manager to shape the organization's future.
- It brings rationality into the organization and ensures the most efficient use of scarce resources.
- It depicts a framework within which other management functions will operate.

Planning - Meaning and Concept

- A plan is a commitment to particular course of action whereas planning is an activity consisting of a process.
- Planning is not an activity; it is a process which involves selection from among many alternatives.
- It thus presupposes the existence of one or more alternative courses of action.
- It is an endeavour to apply foresight to human activity, and is based on knowledge and research.

Planning - Meaning and Concept

- The concept of achieving desired results through planned action has developed to a sophisticated level, where it is no longer sufficient to manage through ‘ad hoc’ decisions if the greatest sufficient possible level of efficiency in the use of resources is to be achieved.
- Planning must now be viewed as a series of logical interrelated procedures which can be evolved, taught, expanded and overlapped for a variety of different management purposes.

Planning - Meaning and Concept

- Planning in business is an ongoing process because changes in business environment are continuous.
- A business enterprise is an open, adaptive social sub system living in a dynamic world, always trying to adapt itself to the ever changing conditions of demand, supply, prices, competition, technology, government policies etc.

Planning - Meaning and Concept

- A plan is based on reliable information and not on emotions and feelings.
- It reflects vision, foresight and wisdom.
- It is a blueprint of action.
- Thus, planning involves thinking and analysis of information, arriving at certain assumptions in connection with what is likely to happen in the future and then formulating the activities required to achieve desired results or goals or objectives.

Planning - Meaning and Concept

- The planner must be able to look into the future and conceptualize the proposed pattern of activities.
- A Manager desires to provide stability to his efforts by considering many complicated future variables, since the future involves change and uncertainty.
- Moreover, planning is necessary to achieve results through the efforts of others.

Planning - Meaning and Concept

- Since planning is a continuous and never ending activity, most managers re-examine plans regularly with a view to modify or adjust them promptly in the light of the new situations or conditions.
- Managerial planning draws up a blue print of activities to be undertaken.

Planning - Meaning and Concept

- It is consciously choosing out of several given alternative of the
  - objectives to be achieved,
  - policies to be followed,
  - rules and methods to be adopted, and
  - ascertaining in advance the programmes, procedures and budgets

  so that they may serve as a guide to the action yet to be undertaken.
- Planning increases the degree of success and establishes co-ordinated effort in the organisation.

Planning - Meaning and Concept

- A good organisational plan minimizes risk, reduces uncertainties surrounding business conditions and it classifies the consequences of related action.
- It makes the managers future-oriented and their decisions co-ordinated.
- Good planning makes the organisations reach their objectives.
- Plan will help the managers to organise people and resources effectively.
- Plans develop confidence in managers.

Planning - Meaning and Concept

- Planning is, thus,
  - the first step in the management process
  - concerned with the establishment of objectives and goals to be attained in the future
  - in the light of an analysis of present limitations for attaining such goals
  - with a view to their removal or deduction,
  - anticipation of the future environmental factors and their impact and designing the course of action and
  - programmes for attaining such preselected goals.

Important Characteristics of Planning

1. Planning is looking into the future.
2. Planning involves pre-determined line of action.
3. Planning discovers the best alternative out of available many alternatives.
4. Planning requires considerable time for implementation.
5. Planning is a continuous process.
6. Planning's object is to achieve pre-determined objectives in a better way.
7. Planning integrates various activities of organisation.

Important Characteristics of Planning

8. Planning is done for a specific period.
9. Planning not only selects the objectives but also develops policies, programmes and procedures to achieve the objectives.
10. Planning is required at all levels of management.
11. Planning is an inter-dependent process which co-ordinates the various business activities.
12. Planning directs the members of the organisation.
13. Growth and prosperity of any organisation depends upon planning.

Components of Planning/Planning Techniques

- Planning consists of several individual plans or components of planning, which are usually bound together.

  i. Forecasting

  ii. Objectives

  iii. Policies

  iv. Programmes

  v. Strategies

  vi. Schedules

  vii. Procedures

  viii. Rules

  ix. Budgets

Components of Planning/Planning Techniques

- **i. Forecasting:**
  - Forecasting becomes an integral part of the planning process.
  - It is a prediction of future events and conditions.
  - It, therefore, includes both the assessment of the future and the provision for it.
  - It helps to reduce the uncertainties that surround management, decision making.

- **ii. Objectives:**
  - Objectives are the ends toward which activity is aimed— they are the results to be achieved.
  - Corporate objectives are framed for the organisation as a whole.
  - In consonance with these objectives, departmental objectives are framed.
  - They represent the end toward which organising, staffing, leading and controlling are aimed.
  - Organisation can grow without any difficulty if it has well-defined objectives.
  - These objectives should be clearly defined and communicated throughout the organisation.
  - Such objectives must be realistic.

Components of Planning/Planning Techniques

- **iii. Policies:**
  - Objectives determine the ‘what-to-do’ aspect for the persons in the organisation, while policies tell ‘how-to-do’ aspect.
  - So, policies act as guides to thinking and action of subordinates in the organisations.
  - It should be clearly prescribed and understandable by all.
  - We should purchase our raw materials from the local dealers only. This can be a policy statement of the purchase department. All promotions should be from within the organisation. All bills must be collected within 30 days. These are examples of policy statements. They prove to be solutions for recurring problems.

- **iv. Programmes:**
  - It refers to the course of action of work to be carried out in proper sequence for the purpose of achieving specific objectives.
  - Programme is the composite of many small plans, where each plan contributes to the objective of the overall plan called programme.
  - Sales campaign with the objective of increasing sales by 25% is a programme. It is made up of several small plans — promotion through advertising, promotion through salesmen, promotion through dealers, promotion through direct mailing.
  - Each small plan contributes to overall objective of the programme.

Components of Planning/Planning Techniques

- **v. Strategies:**
  - Strategy means tactical planning in competitive environment.
  - It is specific type of plan for achieving organisational goals.
  - We should plan not in isolation, but in keeping with the forces of external environment — our suppliers, our customers, government and competitors.
  - A strategic approach towards planning is necessary. Even the process of selecting one out of several alternatives available is a strategic process.

- **vi. Schedules:**
  - Fixing a time sequence for every operation is known as schedules.
  - Normally it forms part of programming a part of action plan.

Components of Planning/Planning Techniques

- **vii. Procedures:**
  - Policy statements are broad guidelines.
  - For implementing them a detailed step-by-step routine is necessary. It is called procedure.
  - Procedures are plans that establish a required method of handling future activities.
  - They are guides to action, they detail the exact manner in which certain activities must be accomplished.
  - They are chronological sequences of required actions.
  - We should collect our bills within 30 days is a policy statement. Now it is for those who execute this policy to set a procedure for its implementation. Who shall write to the debtor? How? How many times? What is the final action? Who shall approach him personally for collection? These are the procedural aspects.
  - Procedures are different for different levels in the organisation.
  - They also change from department-to-department, and from policy- to-policy.

Components of Planning/Planning Techniques

- **viii. Rules:**
  - Rules spell out specific required actions or non-actions.
  - They are usually the simplest type of plan. It is the simplest possible version of the plan as it directs a particular activity in a particular way, and prevents us doing a particular activity in a particular way.
  - Procedure and rules are different in the sense that procedure is a routinized step-by-step arrangement, whereas rule has no order. ‘Do not smoke in factory premises’ is a rule, but ‘how to requisition goods from the stores’ is a procedure.

- **ix. Budgets:**
- Budget is also a plan where estimated results are shown in terms of money or any other numerically measurable term.
- A budget is a statement of expected results expressed in numerical term.
- A budget may be expressed either in financial terms or in terms of labour-hours, units of product, machine hours.
- It helps the organisation to control the action by comparing budgetary and actual results.
- Though it is also a tool of control budget fails as a control device if there is no plan to compare the actual results against the estimated figures.

Definitions of Planning by Different Authors

- ‘Planning is deciding the best alternative to perform different managerial operations for achieving pre-determined goals.’ – Henry Fayol
- “Planning is chalking out plan of action, i.e., the result envisaged in the line of action to be followed, the stages to go through and the methods to use. It is a kind of future picture, wherein proximate events are outlined with some distinctness, whilst remote events appear progressively less distinct.” – Henry Fayol
- Peter Drucker defined “planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectation through organised systematic feedback.”

Definitions of Planning by Different Authors

- In the words of Alfred and Batty, "Planning is a thinking process, the organised foresight, the vision based on facts and experience that is required for intelligent action."
- Billy E. Goetz says that Planning is fundamentally a process of choosing and that, "a planning problem arises only when an alternative courses of action is discovered".
- "Planning is a process whereby managers select goals choose actions to attain those goals, allocate responsibility for implementing actions to specific individuals or units, measure the success of actions by comparing actual results against the goals, and revised plans accordingly." – Charles WL Hill, Steven Meshane.
- 'Planning is, in essence, the exercise of foresight.'- [Hamilton Church]

Definitions of Planning by Different Authors

- ‘Planning is an intellectual decision-making process in which creative thinking and imagination are essen-tial.’ – [Haynes and Massie]
- ‘Planning is an ability to visualize a future process and its results.’ – [J.P Barger]
- George Terry has defined planning in terms of future course of action i.e., “planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualisation and formalisation of proposed activities believed necessary to achieve desired result.”
- “Planning is selecting information and making assumptions regarding the future to formulated activities necessary to achieve organizational objectives.” – Terry and Franklin.

Definitions of Planning by Different Authors

- James L. Pierce, a management expert and Vice-president of A.B. Dick and Company, looks at planning in another way. To him, planning "refers to the construction of an operating programme, comprehensive enough to cover all phases of operations and detailed enough that specific attention may be given to its fulfilment in controllable segments".

- According to Killen, "Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done". It is the determination of a course of action to achieve the desired results. It bridges the gap from 'where we are' to 'where we want to go'. It makes it possible for things to occur which would not otherwise happen.

Definitions of Planning by Different Authors

- In the words of Koontz and O'Donnell, "planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to here we want to go." Koontz and O'Donnell describe planning as "the selection from among alternatives for future course of action for the enterprise as a whole and each department within it."
- According to Koontz, O'Donnell and Weihrich, "Planning is an intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge and considered estimates." Planning is a mental process requiring the use of intellectual faculties, imagination, foresight and sound judgement.

- "Planning is fundamentally a mental predisposition to do things in an overly way, to think before and to act in the light of the fact rather than of guesses." – L. F. Urwick.

Definitions of Planning by Different Authors

- McFarland has defined Planning as “a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.”

- ‘Planning is the selection of objectives, policies, procedures, and programmes from among alternatives.’ – M.S. Hurley

- Richard N. Farmer and Barry M. Richman are of the opinion that- “the planning function determines organizational objectives and policies, programs, schedules, procedures and methods for achieving them.” Planning is essentially a decision-making since, it involves choosing among alternatives and it also includes innovation. Planning is the process of making decision on any phase of organised activity.”

Definitions of Planning by Different Authors

- Richard T. Cass aptly puts it thus- “A plan is a statement by a person what he intends to do a certain thing by a certain means. Planning is the process by which he develops that statement”.
- According to Theo Haimann, “planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives polices, programmes, procedures and other means of achieving these objectives.”
- “The process of planning covers a wide range of activities, all the way from initially sensing that something needs doing to firmly deciding who does, what, when. It is more than logic or imagination or judgment. It is a combination of all those that culminate in a decision- a decision about what should be done. The decision phase of planning is so important that we can use the expression decision making as a synonym of planning.” – William H. Newman and Charles E. Summer Jr.

Analysis of the Definitions reveal that

i. Planning is concerned with future and its essence is looking ahead;

ii. It involves thinking and analysis of information;

iii. It involves a predetermined course of action;

iv. It is concerned with the establishment of objectives to be attained in the future;

v. It is fundamentally a problem of choosing after a careful study of alternative courses;

vi. It involves decision-making;

vii. Its objectives is to achieve better results;

viii. It is a continuous and integrated process.

For proper planning, the following points should be decided in advance:

1. What will be done
2. What resources will be required
3. How it will be done
4. Where it is to be done
5. Who will do it
6. When it will be done

For proper planning, the following points should be decided in advance:

- What will be done – What are the objectives of business in the short and in the long run?
- What resources will be required – This involves estimation of the available and potential resources, estimation of resources required for the achievement of objectives, and filling the gap between the two, if any.
- How it will be done – This involves two things – (i) determination of tasks, activities, projects, programmes, etc., required for the attainment of objectives, and (ii) formulation of strategies, policies, procedures, methods, standard and budgets for the above purpose.

For proper planning, the following points should be decided in advance:

- Who will do it – It involves assignment of responsibilities to various managers relating to contributions they are expected to make for the attainment of enterprise objectives. This is preceded by the breaking down of the total enterprise objectives into segmental objectives, resulting into divisional, departmental, sectional and individual objectives.
- When it will be done – It involves determination of the timing and sequence, if any, for the performance of various activities and execution of various projects and their parts.

Process of Planning - Steps Involved

1. Gathering Information
2. Identifying and Studying Vital Factors Affecting the Company's Growth and Efficiency
3. Laying Down Plan Objectives
4. Determining and Evaluation of Action Patterns
5. Selection of a Course of Action
6. Setting up of a Timetable

Process of Planning - Steps Involved

1. Gathering Information:

- The first step in planning is the gathering of information, i.e., relevant facts and figures.
- In fact, before objectives are formulated and ways and means to achieve them are developed, it is important for the manager to have relevant information.

Process of Planning - Steps Involved

1. Gathering Information:

- **A company constantly asks itself questions like:**

  i. Who are our customers?

  ii. Why?

  iii. Under what circumstances does a customer become a non-customer?

  iv. What are the functions and values of our product to our customers?

  v. What is our main strength?

  vi. Are we making the product or selling it?

Process of Planning - Steps Involved

1. Gathering Information:

- Answers to such questions provide vital information based on which the company sets itself realistic objectives and seeks the most promising courses of action to achieve them.

- McGraw-Hill which is in the publishing business, for instance, may decide to publish fiction. But before it can plan its activities, it would need specific information such as the reading habit, the buying capacity, the level of education, etc. of its customers.

Process of Planning - Steps Involved

2. Identifying and Studying Vital Factors Affecting the Company's Growth and Efficiency:

- A company having information may not be able to plan its future activities unless it identifies and makes a careful study of the factors which may limit a company's growth and efficiency.
- In fact, an organisation which behaves in scientific planning does involve itself in such an exercise.
- It constantly seeks to find out its strengths and weaknesses, where the opportunities exist and what could be regarded as potential threats to the company's survival and growth.

Process of Planning - Steps Involved

3. Laying Down Plan Objectives:

- Objective-formulation is the third logical step in the planning process.
- Objectives specify the end results which a plan seeks to achieve and determine as to what is to be achieved by the complex of policies, rules, programmes and procedures.
- Objectives should be formulated at every level. From the corporate objectives emerge the unit-level objectives.

Process of Planning - Steps Involved

4. Determining and Evaluation of Action Patterns:

- The next step in planning obviously is to find out the various courses of action that are available for the accomplishment of the plan objectives.
- Of course, several alternatives may be available to realise the plan but what is important is to narrow down the number of alternatives available and then to select the most promising courses of action.
- Herein lies the task of evaluating the courses of action against the plan objectives and the planning assumptions before the final choice is made.

Process of Planning - Steps Involved

5. Selection of a Course of Action:

- The fifth step in planning is to select the best course of action.
- The evaluation of various courses of action would reveal that of the different alternatives available, one or two prove to be the most suitable for the accomplishment of the plan objectives.

Process of Planning - Steps Involved

6. Setting up of a Timetable:

- Setting up of a timetable is as important as any other step in planning.
- Today, an enterprise operates in an environment which is highly dynamic and changing. Thus, when the future is uncertain, it is important to determine in advance the plan period.
- No plan period should be longer than what is economically desirable. The plan period should not be too short, either.

Process of Planning - Steps Involved

6. Setting up of a Timetable:

- Hence, the manager must ensure that the plan period is long enough to enforce, through a series of actions, the fulfilment of commitments involved in a decision.
- The plan period must take into account certain factors such as-
  - (i) lead time,
  - (ii) length of time required to recover the capital funds invested in plant and equipment and in training personnel,
  - (iii) expected future availability of customers, and
  - (iv) expected future availability of raw materials and components.

Types of Planning

- **The process of planning may be classified into different categories on the following basis:**

  (i) Nature of Planning:

  a. Formal planning.

  b. Informal planning.

  (ii) Duration of planning:

  a. Short term planning.

  b. Long term planning.

  (iii) Levels of Management:

  a. Strategic planning.

  b. Intermediate planning.

  c. Operational planning.

  (iv) Use:

  a. Standing plans

  b. Single-use plans.

Types of Planning Based on Nature of Planning

a. **Formal Planning:** Planning is formal when it is reduced to writing. When the numbers of actions are large it is good to have a formal plan since it will help adequate control. The term formal means official and recognised.

Advantages:
1. Proper Cooperation among employees,
2. Unity of Action,
3. Economy,
4. Proper coordination and control,
5. Choosing the right objectives, and
6. Future plan.

b. **Informal Planning:** An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

Types of Planning Based on Duration of Planning

a. **Short term Planning:** Short term planning is the planning which covers less than two years.

- It must be formulated in a manner consistent with long-term plans.
- It is considered as tactical planning.
- Short-term plans are concerned with immediate future; it takes into account the available resources only and is concerned with the current operations of the business.
- These may include plans concerning inventory planning and control, employee training, work methods etc.

Types of Planning Based on Duration of Planning

a. Short term Planning:

Advantages:

1. It can be easily adjustable.
2. Changes can be made and incorporated.
3. Easy to Gauge.
4. Only little resources required.

Disadvantages:

1. Very short period – left over things will be more.
2. Difficult to mobilize the resources.
3. Communication cycle may not be completed.

Types of Planning Based on Duration of Planning

b. **Long-Term Planning:** Long-term planning usually converse a period of more than five years, mostly between five and fifteen years.

- It deals with broader technological and competitive aspects of the organisation as well as allocation of resources over a relatively long time period. Long-term planning is considered as strategic planning.
- Short-term planning covers the period of 1 - 2 years, while long term planning covers 5-15 years.
- In between there may be medium-term plans. Usually, medium term plans are focusing on between two and five years. These may include plan for purchase of materials, production, labour, overhead expenses and so on.

Types of Planning Based on Duration of Planning

b. Long-Term Planning:

Advantages:

1. Sufficient time to plan and implement.
2. Effective control.
3. Adjustment and changes may be made gradually.
4. Periodic evaluation is possible.
5. Thrust areas can be identified easily.
6. Weakness can be spotted and rectified then and there.

Disadvantages:

1. Prediction is difficult.
2. Full of uncertainties.
3. Objectives and Targets may not be achieved in full.
4. More resources required.

Types of Planning Based on Levels of Management

a. Strategic Planning:

- The strategic planning is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objectives.
- It is conducted by the top management, which include chief executive officer, president, vice-presidents, General Manger etc.
- It is a long range planning and may cover a time period of up to 10 years.

Types of Planning Based on Levels of Management

a. Strategic Planning:

- It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the dynamic environment.
- The planning also determines the direction the company will be taking in achieving these goals.
- Even though planning at all levels is important, since all levels are integrated into one, the strategic planning requires closer observation since it establishes the direction of the organisation.

Types of Planning Based on Levels of Management

b. Intermediate Planning:

- Intermediate planning cover time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line mangers.
- They also have the task of polishing the top management's strategic plans.
- The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial and material factors.
- They refine the broad strategic plans into more workable and realistic plans.

Types of Planning Based on Levels of Management

c. Operational Planning:

- Operational planning deals with only current activities. It keeps the business running.
- These plans are the responsibility of the lower management and are conducted by unit supervisors, foremen etc.
- These are short-range plans covering a time span from one week to one year.
- These are more specific and they determine how a specific job is to be completed in the best possible way.
- Most operational plans are divided into functional areas such as production, finance, marketing, personnel etc.

Types of Planning Based on Use

a. Standing Plan:

- Standing plan is one, which is designed to be used over and over again.
- Objectives, policies procedures, methods, rules and strategies are included in standing plans.
- Its nature is mechanical. It helps executives to reduce their workload.
- Standing plan is also called routine plan. Standing or routine plan is generally long range.

Types of Planning Based on Use

b. Single Use Plan:

- Single use plan is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved.
- They may include programme, budgets, projects and schedules.
- It is also called specific planning.
- Single use plan is short range.

Principles of Planning

- Just as each systematic knowledge is based on some important principles, similarly management and managerial functions are also depend upon some principles of planning.
- Management specialists have propagated some principles of planning, which may make planning very effective, on being adopted.

Principles of Planning

1. **Principle of Contribution to Objectives:** Each institution or enterprise has some predetermined objectives and goals. According to this principle, every plan and sub-plan should make positive contributions towards achieving the objectives and goals of the institution.

2. **Principle of Planning Promises:** The planning is related to the future and for the future, and there are several assumptions. Hence, while formulating plans, complete, clear and reliable knowledge should be collected and forecasts should be well prepared.

Principles of Planning

3. **Principle of Efficiency:** The efficiency of planning depends on the results. Maximum results should be obtained from minimum cost and effort. If this does not become possible, or the goals are not efficiently achieved, it may be regarded as the inefficiency of planning.

4. **Principle of Primacy:** The targets and the goals are the first activity. Without planning, no other functions of management get proper direction, nor does their efficient and effective performance become possible. Hence, planning is the important and primary function of management.

Principles of Planning

5. **Principle of Flexibility:** Plans should be flexible. Flexibility means to change according to need. Flexible plans may be revised, in accordance with the changed requirements and the losses may be averted or minimized. So, planning should be such which may be changed and revised, according to the circumstances. This principle is used for long-term planning.

6. **Principle of Navigational Change:** Just as a sailor is attentive towards taking his boat to the destination, by paying regular attention to the speed, direction, and balance of the boat, each moment, similarly, the managers should go on testing the plans, during the course of their implementations and required changes and improvements should be a continuous process.

Principles of Planning

7. **Principle of Commitment:** This principle determines the 'Time period' of planning. Planning should necessarily be at least for that period, which is required for fulfilling commitments made with its employees, suppliers, debtors, and the consumers, etc.

8. **Principle of Pervasiveness:** Planning is a pervasive activity, which is required at all levels of business management. Hence, planning should be in accordance with the needs of all levels of Management.

Principles of Planning

9. **Principle of Framework:** Policies mean those general principles which govern the functions of the organization for the achievement of its objectives.

   The policies of the institution should be unambiguous, simple, sound and justified, to make its planning effective.

10. **Principle of Timing:** While determining the objectives for the institution, the time limit for achieving various objectives may also be well determined. Plans, sub plans, and programs should also be prepared for achieving the objectives. Their time limits should also be essentially determined.

Principles of Planning

11. **Principle of Alternative:** The success of planning depends upon the correct decision taken. Hence, before taking decisions, various alternatives should be discovered and necessary information should be gathered about them, and then the best alternative should be selected. The best alternative, which may contribute towards achieving the determined objectives in decided time, at the lowest cost, be selected.

12. **Principle of Limiting Factor:** While selecting the best alternatives managers should identify the factors having only limited achievements of the desired goals. Suitable solutions to critical factors should be found.

Principles of Planning

13. **Principle of Competitive Strategies:** If any competitive institution exists, then the planning activities and techniques of other Institutions should also be kept in view. By doing so, success in business, among the competition, maybe ensured.

14. **Principle of Cooperation:** The success of planning depends upon the cooperation of the whole organization. Hence, in Planning formulation, sufficient cooperation of the executives, managers, and subordinates of various levels should be obtained, so that plans may be executed efficiently and unnecessary hurdles may be removed to get desired results.

Advantages of Planning

1. **Primacy of Planning:** Even though there are other managerial functions such as organising, staffing, directing and controlling which helps to achieve the organisational goals, planning precedes all other managerial functions. It establishes objectives necessary for all group effort.

2. **Help to Management:** Since the planning is a future course of action, mangers are able to define their objectives and get direction. Also it creates a unity of purpose.

3. **Effective Utilisation of Resources:** Proper planning helps in proper and effective utilisation of resources. Resources are identified for optimum utility through planning. So waste of resources will not result and thereby idle time for workers and downtime for machines will be reduced.

Advantages of Planning

4. **Minimum Cost:** Planning helps to minimise cost by providing greater utilisation of the available resources. All kinds of wastage of men, materials, money and machines are prevented with the help of planning. This leads to result in minimum cost of operations.
5. **To help in Motivation:** All employees of the organisation can feel that we have taken this plan, if the plans are communicated to them. In this case the sense of belongingness of employees increases and therefore they will be highly motivated.

Advantages of Planning

- **6. To Offset Uncertainty and Change:** There may be continuous change in the environment and organisation has to work within and with these changes. The change is reflected in both tangible and intangible forms. Tangible changes are in the form of changes in technology, market forces, and government regulations. Intangible changes reflect in changes in attitudes, values, cultures etc. In order to cope up with the requirements of such changes, organisation must plan ahead for its future course of action, which is basically provided by planning process. Planning does not stop changes in the environment, but gears the organisation to take suitable actions so that it is successful in achieving its objectives.

Advantages of Planning

7. **Help in Coordination:** Proper planning is made by unifying all areas and departments of the organisation. It leads to coordination, and harmony among the departments is achieved.
8. **Facilitates Control:** Planning provides performance standards and standards for measuring the progress of the organisations. Therefore management can compare the actual performance with the standards. Manager can control action by looking at different deviations, if any.
9. **Facilitates Decision-making:** Planning provides a framework for decision-making. Since the planning provides for feedback, periodic evaluation, and indication for any deviation, corrective action can be taken which leads to better decision-making.

Advantages of Planning

10. **Encourages Innovation and Creativity:** It brings about rationality in managerial approach and improvement in executive thinking. A good planning process will provide avenues for individual participation and will encourage an atmosphere and will stimulate managers to achieve more.

11. **Improves Competitive Strength:** Since the operations are planned in advance, company can take its action concretely. It improves the competitive strength of the organisation.

Advantages of Planning to an Organisation

1. **Facing Complexities of Modern Business:** The business is becoming more and more complex. There is a globalisation of business, competition is increasing, and constant need for creativity and many more issues crop up in day to day working. There is a constant need to plan the things to face complex situations. Planning helps as a tool in anticipating emerging business situations and suggesting ways to take advantage from it.

2. **Forewarn against Business Failures:** Business failures may be due to wrong and unscientific planning. A bad planning may cause wastage of resources and loss of opportunities. The business may fail to face competition from efficiently run units. The indications of future failures will be visible from the current situation. Better planning and proper implementation will be able to save the business from failures.

Advantages of Planning to an Organisation

3. **Attention on Objectives:** Planning helps in clearly laying down objectives of the organisation. The whole attention of management is given towards the achievement of those objectives. There can be priorities in objectives, important objectives to be taken up first and others to be followed after them.
4. **Minimising Uncertainties:** Planning is always done for the future. Planning is an effort to foresee the future and plan the things in a best possible way. Planning certainly minimises future uncertainties by basing its decisions on past experiences and present situations.

Advantages of Planning to an Organisation

5. **Better Utilisation of Resources:** All the resources are first identified and then operations are planned. All resources are put to best possible uses.
6. **Economy in Operations:** The objectives are determined first and then best possible course of action is selected for achieving these objectives. The operations selected, being better among possible alternatives, there is an economy in operations. The method of trial and error is avoided and resources are not wasted in making choices. The economy is possible in all departments whether production, sales, purchases, finances, etc.

Advantages of Planning to an Organisation

7. **Better Co-Ordination:** The objectives of the organisation being common, all efforts are made to achieve these objectives by a concerted effort of all. The duplication in efforts is avoided. Planning will lead to better co-ordination in the organisation which will ultimately lead to better results.

8. **Encourages Innovations and Creativity:** A better planning system should encourage managers to devise new ways of doing the things. It helps innovative and creative thinking among managers because they will think of many new things while planning. It is a process which will provide awareness for individual participation and will encourage an atmosphere of frankness which will help in achieving better results.

Advantages of Planning to an Organisation

9. **Management by Exception Possible:** Management by exception means that management should not be involved in each and every activity. If the things are going well then there should be nothing to worry and management should intervene only when things are not going as per planning. Managers are given more time for planning the activities rather than wasting their time in directing day-to-day work.

10. **Facilitates Control:** Planning and control are inseparable. Planning helps in setting objectives and laying down performance standards. This will enable the management to check performance of subordinates. Any deviations can be rectified at the earliest by taking remedial measures.

Limitations of Planning

- Planning has some limitations, though most of the limitations are related with the uncertainties of the future.
- Efficient planning is not an easy task.
- Managers encounter various barriers in making and implementing plans despite the primacy of management process.
- Managers should develop awareness of these limitations.

Limitations of Planning

The major limitations are:

1. **Corporate Planning is not Integrated into the Total Management System:** The top management fails to identify and associate properly the formal planning with the central concept of the organisation’s mission.

2. **There is a Lack of Understanding of the Different Steps of the Planning Process:** The management may not be knowledgeable or skilled in understanding all steps of the planning requirements.

3. **Lack of Accurate Information:** Planning is made by having information and data available. Planning involves forecasting and future is quite uncertain and complex and forecasting loses its value if information is not accurate. Sometimes, managers do not know how to use the information efficiently; in that case planning may pose problems in operations.

Limitations of Planning

The major limitations are:

4. **Management at Different Levels in the Organisation has not Properly Contributed to Planning Activities:** Generally all strategic planning are made and conducted at top management. Sometimes middle level and lower level of management, which are closer to the operation, may not understand all aspects of planning. This will affect their fullest contribution.
5. **Resistance to Change:** Most people resist change due to fear of uncertainty. Planning gives a false sense of security to the people in the organization.
6. **Inflexibility:** Planning results in rigidity in the internal working of the organization. Managers are required to follow the procedures rigidly. Internal inflexibilities that may limit planning are related to human psychology, organizational policies and procedures, and long-term capital investment. Beside this, managers are confronted with much external inflexibility, and they do not have control over them. These factors are social, legal, technological, etc.

Limitations of Planning

The major limitations are:

7. **Inadequate Planning:** There are many reasons why people fail in planning, both at the formulation level as well as implementation level. Some of the drawbacks are lack of commitment to planning, ambiguous objective, tendency to overlook planning premises, reliance on past happenings, lack of management support, lack of controlling techniques and resistance to change, etc. These factors are responsible for either inadequate planning or wrong planning in the concerned organizations.

Limitations of Planning

The major limitations are:

8. **Time and Cost Factors:** Time and cost factors are considered as real limitations to planning. The cost of planning should not be in excess of its contribution and managerial judgement is necessary to balance the expenses of preparing the plans against the benefits derived from them. Time is a limiting factor for every manager in the organization, because enough time may not be available to go through the entire planning process. The Planning involves cost on the part of the organization. Costs increase in planning if it becomes more detailed. Thus, planning cannot be undertaken beyond a certain limit. It must justify its costs. With regard to cost, it should not be, in any situation, more than the value of planning or benefits derived from it.

- These various factors contribute to the limitations of planning either making planning ineffective or making lesser degree of planned work.
- However, it should be recognized and accepted that planning is essential, and managers must take steps to make it more effective.

Strategic Planning – Meaning & Process

- Strategic planning is the process of documenting and establishing a direction of a business – by assessing both where you are and where you're going.

- Strategic planning consists of analyzing the business and setting realistic goals and objectives.

- This leads to the creation of a formal document that lays out the company's views and goals for the future.

Strategic Planning – Meaning & Process

- The strategic plan gives you a place to record your mission, vision, and values, as well as your long-term goals and the action plans you will use to reach them.
- A well-written strategic plan can play a pivotal role in any business's growth and success because it tells you and your employees how best to respond to opportunities and challenges.
- The future success of a business depends on effective strategic planning. It is a process of looking ahead that should involve the entire business.

Strategic Planning – Meaning & Process

Benefits of Strategic Planning

- The strategic planning process can take some time, but it is beneficial for everyone involved.
- As the business owner, you will have a better idea of the goals and objectives you want to accomplish and a path to do that.
- For your employees, the process can foster an increase in productivity—contributing to the success of the business.

Strategic Planning – Meaning & Process

The Strategic Planning Process

- The strategic planning process has three phases: discussion, development, and review and updating.
- The goal of the strategic planning process is to ensure everyone in the business is aligned when it comes to the business's goals and objectives, as well as to create a formal strategic plan document.

The Strategic Planning Process

Discussion Phase

- The discussion phase is meant to gather as much information, opinions, and input as possible.
- Set up a scheduled meeting with the employees and any other staff in your business who will be involved with strategic planning.
- Make sure you have an agenda and clear expectations of what you want to accomplish in each meeting. This will keep discussions on track and help prevent distractions.

The Strategic Planning Process

Discussion Phase

- In the first few meetings, try to answer questions that will help you define the business's current status, such as, "Where are we now?" and "Where are our competitors?"
- Once you have a good idea of where the business is, you can focus in on specific details in future meetings.

The Strategic Planning Process

Discussion Phase

- In addition to regular meetings with your employees at your business, you can also reach out to vendors, investors, analysts, and other people outside of your company to gather information.
- External people will have a unique perspective on not only your business, but also the industry you are operating in.
- Getting their opinions on where they think the industry is going and what they think will change in the future can help you put together your strategic plan and determine where you want your business to be down the road.

The Strategic Planning Process

Discussion Phase

- You can also conduct a SWOT analysis.
- SWOT stands for Strengths, Weaknesses, Opportunities, and Threats.
- When you are conducting a SWOT analysis, you and your employees will examine what your business does well, where it can improve, any future opportunities to pursue that could help facilitate growth and success, and any competitors or external factors that could prevent the business from succeeding.

The Strategic Planning Process

Discussion Phase

- Your strengths should be pretty easy to identify.
- When you are discussing your business's weaknesses, don't be afraid to be candid.
- Every business has weaknesses and things to work on.
- Any weakness you and your employees note means it is something you will aim to improve on in the future with a detailed initiative outlined in the strategic plan.

The Strategic Planning Process

Discussion Phase

- Opportunities available to your business may be pretty clear, while identifying threats to your business can be more difficult.
- Speaking with people outside of the company should give you a good idea of where the industry could be heading and if there are any major competitors or challenges coming.
- If you can identify a number of threats and challenges to your business early on, it puts you in a better position to address them if and when you encounter them down the road.

The Strategic Planning Process

Development Phase

- After you have collected all of the information, it is time for the development phase.
- This is when you will start putting together your business’s strategic plan.
- A strategic plan consists of five key components: a vision statement, a mission statement, goals and objectives, an action plan, and details on how often the strategic plan will be reviewed and updated.

The Strategic Planning Process

Development Phase

- Decide with your employees what you will use to create the strategic plan. Are you going to purchase software to help you create and house the plan? Or are you going to create the plan yourself and save it in the cloud for easier access?
- When you are creating goals and objectives for your business, make sure they are realistic and measurable.
- Work with your employees to create goals and objectives for at least the next one to three years. And discuss how these goals and objectives will be measured and tracked.

The Strategic Planning Process

Development Phase

- For example, if you have a goal of increasing sales by 10% in the next year, you can track this by measuring sale numbers.
- Equally important is having an action plan to achieve these goals and objectives. If you are trying to increase your sales by 10% in a year, you can pursue more marketing and social media outreach as part of your action plan.
- If an action plan doesn’t help your business achieve its goals, the plan needs to be rewritten.

The Strategic Planning Process

Review and Updating Phase

- A critical part of the strategic plan should address how often it will be reviewed and updated.
- Designate someone to be responsible for reviewing, updating, and sharing any changes with the rest of the company.
- Make sure everyone in the business is aware of the changes and how they affect the overall strategic plan.

The Strategic Planning Process

Review and Updating Phase

- The strategic plan is meant to be a fluid document; don't fall into the trap of creating the document and letting it sit on a shelf for years.
- If you developed meaningful objectives and action plans, they should help with regularly checking the strategic plan. For example, if your action plan requires you to put in sales numbers every quarter to track revenue, you could take that time to review the rest of the plan.
- You can also set an alert to check the strategic plan on a regular basis. Whether it is every few months, every quarter, or every year, a recurring alert can help you review and update the document.

The Strategic Planning Process

Review and Updating Phase

- When you are reviewing your strategic plan, you may find that you are not on track to meet an objective or goal that you previously set up.
- Don’t panic. Reassess the situation and, if you need to, discuss the issues with your employees.
- Figure out what went wrong and why your business isn’t on pace; maybe the goal was too ambitious or not realistic.
- Change the goal or objective and update the action plan to help you get back on track.

The Strategic Planning Process

Review and Updating Phase

- You also may find that your business has met a goal or objective earlier than you thought you would.
- If so, you can create a new goal or objective to work toward, or try to maintain the progress you have already made.
- Discuss the ideas with your employees to see what they think is possible.

Management by Objective (MBO) – Peter Drucker

- Management by objectives (MBO), also known as management by results (MBR), was first popularized by Peter Drucker in his 1954 book – The Practice of Management.
- Management by objectives is the process of defining specific objectives within an organization that management can convey to organisation members, then deciding how to achieve each objective in sequence.

Management by Objective (MBO) – Peter Drucker

- This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment.
- This process also helps organization members to see their accomplishments as they achieve each objective, which reinforces a positive work environment and a sense of achievement.

Management by Objective (MBO) – Peter Drucker

- An important part of MBO is the measurement and comparison of an employee's actual performance with the standards set.
- Ideally, when employees themselves have been involved with the goal-setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.
- The system of management by objectives can be described as a process whereby the superior and subordinate jointly identify common goals, define each individual's major areas of responsibility in terms of the results expected of him or her, and use these measures as guides for operating the unit and assessing the contribution of each of its members.

Management by Objective (MBO) – Peter Drucker

- MBO was popularized by companies like Hewlett-Packard, who claimed it led to their success.
- Many other corporations praise the effectiveness of MBO, including Xerox, DuPont, Intel, and countless others.
- Companies that use MBO often report greater sales rates and productiveness within the organization.

Management by Objective (MBO) – Peter Drucker

- MBO is the process of employers/supervisors attempting to manage their subordinates by introducing a set of specific goals that both the employee and the company strive to achieve in the near future, and working to meet those goals accordingly.
- To ensure continuing to prioritize productivity, managers can utilize the concept of MBO, a process that calls for workers of all levels to work together to reach a common goal.

Five steps to MBO

1. **Review organizational goal**
2. **Set worker objective**
3. **Monitor progress**
4. **Evaluation**
5. **Give reward**

Five steps to MBO

1. **Review organizational goal**:

- In the MBO paradigm, managers determine the mission and the strategic goals of the enterprise.
- The goals set by top-level managers are based on an analysis of what can and should be accomplished by the organization within a specific period of time.
- An organization or business must find specific goals to aim for in.

Five steps to MBO

2. **Set worker objective**:

- The mnemonic S.M.A.R.T. is associated with the process of setting objectives. "SMART" objectives are:
  - **Specific** - Target a specific area for improvement.
  - **Measurable** - Quantify or suggest an indicator of progress.
  - **Assignable** - Specify who will do it.
  - **Realistic** - State what results can realistically be achieved, given available resources.
  - **Time-bound** - Specify when the result(s) can be achieved.

Five steps to MBO

2. **Set worker objective**:

- Objectives can be set in all domains of activities, such as production, marketing, services, sales, R&D, human resources, finance, and information systems.
- Some objectives are collective, and some can be goals for each individual worker.
- Both make the task at hand seem attainable and enable the workers to visualize what needs to be done and how.
- Managers need to call the team together and discuss their SMART goals to ensure everyone is on the same page and understands their part in the overall objectives of the organization.

Five steps to MBO

3. **Monitor progress**:

- Frequent reviews and interactions between superiors and subordinates helps in monitoring the progress.
- Objectives need quantifying and monitoring.
- Reliable management information systems are needed to establish relevant objectives and monitor their "reach ratio" in an objective way.

Five steps to MBO

4. **Evaluation**:

- An important part of MBO is the measurement and comparison of an employee's actual performance with the standards set.
- MBO is a goal-directed approach to performance appraisal in which employees and managers together set goals for the upcoming evaluation period.
- A rating is then done by deciding whether these goals are met.

Five steps to MBO

5. **Give reward**:

- Every time a goal has been met, the worker is given a reward to acknowledge the achievement.
- Pay incentives (bonuses) are often linked to results in reaching the objectives.

Management by Objective (MBO) – Peter Drucker

- The principle of MBO is for employees to have a clear understanding of their roles and the responsibilities expected of them, so they can understand how their activities relate to the achievement of the organization's goals.
- MBO also places importance on fulfilling the personal goals of each employee.

Benefits of MBO

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment. This increases employee job satisfaction and commitment.
- Better communication and coordination – Frequent reviews and interactions between superiors and subordinates help to maintain harmonious relationships within the organization and also to solve problems.
- Clarity of goals.

Benefits of MBO

- Subordinates tend to have a higher commitment to objectives as they set for themselves than those imposed on them by another person.
- Managers can ensure that objectives of the subordinates are linked to the organization's objectives.
- Common goal for whole organization means it is a unifying, directive principle of management.

Requirements for Implementation of MBO

1. **Top Management Support and Commitment**: It is essential that MBO should have the support and commitment of the top management. Without this support, MBO can never be a success. The superiors must be willing to relinquish and share the authority with the subordinates. They should consider the subordinates as part of the team for decision making.

2. **Clear Goal Setting**: The objectives should be clearly formulated, must be realistic and achievable. They should be clearly understood by all concerned. The targets should neither be very high nor very low.

Requirements for Implementation of MBO

3. **Participative Goal Setting**: The objectives and goals should be set with the active participation of the subordinates. There should be effective two way communication between the superior and the subordinates for setting the goals, and for discussing the subordinates' problems. These objectives must be properly communicated and clearly understood and accepted by all. MBO works best when the goals are willingly accepted.

4. **Overall Philosophy of Management**: MBO should be treated as an overall philosophy of management and the entire organization. It should not be simply a performance appraisal technique or a divisional process. It should change and replace all the old systems rather than just being added to them.

Requirements for Implementation of MBO

5. **Decentralization of Authority**: MBO will not be effective if the manager is not willing to delegate sufficient authority to the subordinates. The subordinates, who have been given challenging assignments through discussion with the superior, must be given adequate authority to accomplish their goals. Otherwise they will not be willing to accept new assignments and they will resist the setting of clearly defined goals.

6. **Revision and Modification Goals**: The goals must be continuously reviewed and modified, as the changed conditions require, to avoid inflexibility. The review technique should be such that all deviations are caught early and corrected.

Requirements for Implementation of MBO

7. **Orientation and Training of Executives**: As the philosophy of MBO is to be implemented by the executives, they must be given formal training in understanding the basis as well as the contents of the programme. They must be adequately oriented about the value of MBO. They should be trained in how to set the goals, the methods and tools to achieve these goals, methods of reviews and evaluation of performance and provision to include any feedback that may be given.

8. **Integration of MBO Programme**: MBO cannot be implemented as an isolated programme. It should be accepted as a style of managing and should be synthesized with the organizational climate. All personnel involved should have a clear understanding of their role, authority and their expectations. The system should be absorbed wholly by all departments and members of the organization.

Planning Premises – Meaning

- Planning is made for the future.
- Future is uncertain and the management makes certain assumptions about the future.
- The assumptions are not to be based on hunch or guess work. It should be developed through scientific forecasting of future events.
- Planning premises are the anticipated environment in which plans are expected to operate.

Planning Premises – Meaning

- Planning premises include assumptions or forecasts of the future and known conditions that will affect the course of plans – such as prevailing policies and existing company plans that controls the basic nature of supporting plans.
- The assumptions derived from forecasting and used in planning are called as planning premises.
- Planning premises provide a framework for planning and action in the midst of uncertainties in the business environment.
- They imply not only the assumptions about the future but also predictions.

Planning Premises – Meaning

- Planning premises constitute the framework with which planning is done.
- They provide the bedrock upon which future course of action is based.
- To have effective planning, plans must be based on sound premises.
- Therefore premises are to be established on the basis of systematic forecasting.
- Effective planning is largely dependent on the correct knowledge and choice of planning premises.

Planning Premises – Meaning

- The planning premises are to be correctly formulated without which planning will be without proper foundation.
- There are innumerable forces and factors which react on business economy.
- A manager must consider these forces and factors while formulating premises.
- Such forces may be internal or external.
- The manager recognises the strategic, crucial and limiting factors.
- Based on this the manager selects the proper and adequate premises upon which the super structure of planning are raised.

Planning Premises – Types

Planning premises may be classified as:

(a) Internal and external

(b) Tangible and Intangible

(c) Controllable, semi-controllable and uncontrollable

(d) Constant and variable

Planning Premises – Types

(a) **Internal and External Premises**:

- Internal premises are those which exist within the business enterprise. This may include men, material, money and methods. Competence of managerial personnel and skill of labour force are some of the important internal premises.
- External premises centre round the markets and derived from the external environment surrounding the business. Examples: Product market, money market, population growth, government policies, business cycles technological changes.

Planning Premises – Types

(b) **Tangible and Intangible Premises**:

- Tangible premises are those which can be measured quantitatively. They may be quantified in terms of money, time and units of production.
- Intangible premises are those which cannot be measured quantitatively. Examples are: Reputation of the business, Public relations, employee morale, motivation etc. Planning is to consider both tangible and intangible premises.

Planning Premises – Types

(c) **Controllable, Semi-Controllable and Uncontrollable Premises**:

- There are certain factors which are well within the control of the management to a great extent. Factors like materials, money and machines are areas where management has maximum control over their future commitments. The management can decide what policies, procedures, rules and strategies are to be followed in the organisation for achieving the objectives.

Planning Premises – Types

(c) **Controllable, Semi-Controllable and Uncontrollable Premises**:

- Semi-controllable premises are those assumptions about future which are under the partial control of a business. Examples of such premises are demand for the product, Trade union relations.
- Non-controllable premises are entirely beyond the scope of business like government policy, international trade agreements, wars, natural calamities new discoveries and inventions etc. Such events cannot be predicted or controlled. These factors disturb all well thought-out calculations. All intangible premises also fall in this category as human behaviour also cannot be predicted accurately.

Planning Premises – Types

(d) **Constant and Variable Premises**:

- Constant premises are those which behave in similar fashion irrespective of action taken. They are definite, well known and well-understood. The behaviour of constant premises is not subject to changes – these are ignored in planning. Such factors are men, machine and money.

- Variable premises are those which vary in relation to the course of action. The management has to consider these factors in formulating plans as their variations are dependent on the action taken by the management. These cannot be controlled and predicted. For example, sales volume of the enterprise can be partly controlled by the management. There are certain other factors which affect the sales volume of the enterprise but are quite uncontrollable. Forecasting gives the manager an idea of knowledge of their variations.

Forecasting – Meaning

- All organisations operate in the external environment which is dynamic and uncertain.
- As this environment contains factors which affect business operations, plans should be made keeping into account the impact of these factors on business.
- The behaviour of these factors keeps changing as they operate in the dynamic environment and, therefore, it has to be protected through forecasts.

Forecasting – Meaning

- Plans should forecast events for efficient working of the organisation.
- Organisations should analyse the environment through various techniques of forecasting, identify their strengths and weaknesses and formulate the plans.
- Forecasts are based on past. Present behaviour of these factors and the probability of their occurrence in future is, to an extent, an extension of how they have been occurring in the past and present, though however, unprecedented changes can always take place.
- Forecasting is an useful tool for planning. For instance, in sales planning, it helps to estimate and forecast market share of a firm. Firms may find it difficult to project sales of their product. Identifying future sales problems is not easy for companies.

Forecasting – Meaning

- Forecasting is an important aid in effective and efficient planning. It helps management in reducing its dependence on chance.
- Forecasting is helpful in better planning based on assumptions about the future course of events.
- In the world of uncertainty, future can never be predicted perfectly.
- Yet, the marketer or the administrator must plan and take decisions using his judgement and estimate about future developments.

Forecasting – Techniques

- There are a number of techniques through which forecasts can be made.
- No technique can universally apply to all business situations.
- These techniques, singly or in combination, are used depending upon the business situations when they are used.
- The techniques generally fall into two categories:
    - Quantitative Forecasting &
    - Qualitative Forecasting

Forecasting – Techniques

1. **Quantitative Forecasting**:

- It applies mathematical models to past and present information to predict future outcomes.
- These techniques are used to have access to hard or quantifiable data.
- Some of the quantitative techniques are time series analysis, regression models and econometric models.

Forecasting – Techniques

2. **Qualitative Forecasting**:

- It applies when data are not available or very little data are available.
- Managers use judgement, intuition, knowledge and skill to make effective forecasts.
- Some of the qualitative techniques are jury of executive opinion method, sales force composite method and users' expectation method.

Decision Making - Meaning and Concept

- One of the most important functions of a manager is to take decisions in the organization.
- Success or failure of an organization mainly depends upon the quality of decision that the managers take at all levels.
- Each managerial decision, whether it is concerned with planning, organizing, staffing or directing is concerned with the process of decision-making.

Decision Making - Meaning and Concept

- A decision is a course of action which is consciously chosen from among a set of alternatives to achieve a desired result.
- It means that the need for decision arises when various alternatives are present.
- Hence, in any organization an executive forms a conclusion by developing various courses of actions in a given situation.
- It is made to achieve goals in the organization.
- To decide means to cut off or to come to a conclusion.

Decision Making - Meaning and Concept

- Decision making is a mental process.
- Whether the problem is large or small in the organization, it is usually the manager who has to confront it and decide what action is to be taken.
- So, the quality of managers’ decisions is the yardstick of their effectiveness and value to the organization.
- This indicates that managers must necessarily develop decision making skills.

Decision Making - Types

- The decisions taken by managers at various points of time may be classified thus:

    1. Personal and Organizational Decisions

    2. Individual and Group Decisions

    3. Programmed and Non-Programmed Decisions

    4. Strategic, Administrative and Routine Decisions

Decision Making - Types

1. Personal and Organizational Decisions:

- Decisions to watch television, to study, or retire early are examples of personal decisions. Such decisions pertain to managers as individuals. They affect the organisation, in an indirect way. Personal decisions cannot be delegated and have a limited impact.

- Organisational decisions are made by managers, in their official or formal capacity. These decisions are aimed at furthering the interests of the organisation and can be delegated. While trying to deliver value to the organisation, managers are expected to keep the interests of all stakeholders in mind – employees, customers, suppliers, the general public etc. They need to take decisions carefully so that all stakeholders benefit by what they do. (Like price the products appropriately, do not resort to unethical practices, do not sell low quality goods etc.)

Decision Making - Types

2. Individual and Group Decisions:

- Individual decisions are taken by a single individual. They are mostly routine decisions.

- Group decisions, on the other hand are decisions taken by a group of individuals constituted for this purpose (for example, Admission Committee of a College, Board of Directors in a company). Group decisions, compared to individual decisions, have far reaching consequences and impact a number of persons and departments. They require serious discussion, deliberation and debate.

Decision Making - Types

3. Programmed and Non-Programmed Decisions:

- A programmed decision is one that is routine and repetitive. Rules and policies are established well in advance to solve recurring problems quickly. For example a hospital establishes a procedure for admitting new patients. This helps everyone to put things in place quickly and easily even when many patients seek entry into the hospital. Programmed decisions leave no room for discretion. They have to be followed in a certain way. They are generally made by lower level personnel following established rules and procedures.

- Non-programmed decisions deal with unique/unusual problems. Such problems crop up suddenly and there is no established procedure or formula to resolve them. Deciding whether to take over a sick unit, how to restructure an organisation to improve efficiency, where to locate a new company warehouse, are examples of non-pro-grammed decisions.

Decision Making - Types

3. Programmed and Non-Programmed Decisions:

- The common feature in these non-programmed decisions is that they are novel and non-recurring and there are no readymade courses of action to resort to. Because, non-programmed decisions often involve broad, long-range consequences for the organisation, they are made by higher-level personnel only.

- Managers need to be creative when solving the infrequent problem; and such situations have to be treated de novo each time they occur. Non-programmed decisions are quite common in such organisations as research and development firms where situations are poorly structured and decisions being made are non-routine and complex.

Decision Making - Types

4. Strategic, Administrative and Routine Decisions:

- Strategic decision-making is a top management responsibility. These are key, important and most vital decisions affecting many parts of an organisation. They require sizeable allocation of resources. They are future-oriented with long-term ramifications.

- Administrative decisions deal with operational issues—dealing with how to get various aspects of strategic decisions implemented smoothly at various levels in an organisation. They are mostly handled by middle level managers.

- Routine decisions, on the other hand, are repetitive in nature. They require little deliberation and are generally concerned with short-term commitments. They tend to have only minor effects on the welfare of the organisation. Generally, lower-level managers look after such mechanical or operating decisions.

Process / Steps in Decision-Making

- In the decision-making process, steps normally refer to processes, procedures and phases which are usually followed for better decision.
- Decision-making is a typical form of planning.
- It involves choosing the best alternative among various alternatives in order to realize certain objectives.
- This process consists of four interrelated stages, *explorative* (searching for decision occasions), *speculative* (identifying the factors affecting the decision problem), *evaluative* (analysis and weighing alternative courses of action and *selective* (choice of the best course of action).

Process / Steps in Decision-Making

Decision-making consists of the following steps:

1. Perception:

- Perception is a state of awareness. In any human, consciousness arises out of perception. Consciousness gives tilt to the decision-making process. The executive first perceives and then moves on to choose one of the alternatives and thus takes a decision. Perception is, therefore, an important and first step without which decisions relating to any of the problems of the organisation cannot be taken.

2. Conception:

- Conception means designs for action or programme for action. Conception relates to that power of mind which develops ideas out of what has been perceived.

Process / Steps in Decision-Making

Decision-making consists of the following steps:

3. Investigation:

- Perception is a sort of location of the problem whereas conception is the preparation of design or programme for solving the problem. But only perception and conception cannot offer the solution. For solution investigation is to be carried out. The investigation provides an equipment with the help of which the manager tries to go ahead with a debate either in his mind independently or with his co-workers. Information relevant to a particular concept is to be sought, acquired and then analysed. Relative merits and demerits of different analysed concepts should be measured. Alternative course of action is to be thought, analysed and compared to. This needs investigation with which the manager should be armed.

4. Deliberation:

- Weighing the consequences of possible courses of action is called deliberation. The manager may either weigh the relative merits and demerits and the following consequences in his own mind or share his mental exercise with others to equip him better. The deliberations remove bias and equip the manager with different ideas and alternatives and help him in arriving at a decision which may safely be ascribed as good decision.

Process / Steps in Decision-Making

Decision-making consists of the following steps:

5. Selection:

- Selection is an act of the choice which in management terminology is known as decision. After deliberations one of the alternatives, the best possible in the circumstances, is selected.

6. Promulgation:

- Perception, conception, investigation, deliberation and lastly selection will carry weight only when selected chosen alternative – that is, the decision – is properly and timely communicated to all those who are concerned and for whom the decision is meant. Only proper promulgation will help its execution.

Significance of Decision-Making

i. Managers who use a rational, intelligent, and systematic approach are more likely to come up with high quality solutions to the problems they face than the ones who do not use this approach.

ii. Rational decision-makers have a clear understanding of alternative courses of action to accomplish a goal under a particular set of circumstances.

iii. Rational decision-making is based on the information available with the decision-makers and their ability to evaluate alternatives.

iv. Rational decision-making aims at deciding the best solution by selecting the alternative that most effectively facilitates goal achievement

Limitations of Decision-Making

i. It is very difficult for managers to be completely rational in their decision-making since decisions are taken keeping the future in mind, and the future is very uncertain.

ii. It is very difficult to determine all the alternative courses of action that might be followed to accomplish a goal.

iii. Rational decision-making becomes almost an impossible task when one has to explore areas which have never been ventured into before.

Limitations of Decision-Making

iv. In most cases, all possible alternatives generated cannot be thoroughly analyzed, even with sophisticated analytical techniques and computers.

v. Even though the decision-maker strives to be completely rational, sometimes limitations of information, time and certainty, curb rationality.

vi. Sometimes, managers allow their risk-avoiding tendency to disrupt their rational decision-making process.