Unit 3

Planning

Concept

Planning is the fundamental management function, which involves deciding in advance, what is to be done, when it is to be done, how it is to be done and who is going to do it. It is an intellectual process with lays down an organization's objectives and develops various courses of action, by which the organization can achieve those objectives. It chalks out exactly, how to attain specific goal. Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives. It involves logical thinking and rational decision making

According to Ricky W. Griffin, "Planning is deciding organizational goals and deciding how to best achieve them."

Accounting to Koontz O' Donnell and Weihrich, "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 where we want to go."

According to Theo Haimann,"Planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives polices, programs, procedures and other means of achieving these objectives."

Planning is the function of management where managers select goals, choose actions to attain the goals, allocate responsibilities to implement the actions. The result of action is then compared with goals and revise plans accordingly.

Characteristics of planning

Planning is concerned with setting objectives, targets, and formulating plan to accomplish them. The activity helps managers analyze the present condition to identify the way of attaining the desired position in future. It is both, the need of the organization and the responsibility of managers.

1. **First and foremost, managerial function:**

Planning provides the base for other functions of management. I.e. organizing, staffing, directing and controlling. As they are perform within periphery of the plans made.

2. **Goal oriented:**

It focuses on defining the goals of the organization, identifying alternative courses of action and deciding the appropriate action Plan, which is to be undertaken for reaching the goals.

3. **Pervasive:**

It is a pervasive in the sense that it is present in all segments and it requires at all the levels of the organization. Although the scope of planning various at different levels and departments.

4. **Continuous process:**

Plans are made for specific term, say for a month, quarter, and year and so on. Once that period is over, new plans are drawn, considering organization's present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, execute and followed by another plan.

5. Intellectual Process:

It is a mental exercise at it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.

6. Futuristic:

In the process of planning, we take a sneak peek of future. It encompasses looking into future, to analyze and predict it. So that the organization can face the future challenges effectively.

7. Decision making:

Decisions are made regarding the choice and alternative courses of action that can be undertaken to reach the goal. The alternative chosen should be best among all, with least number of negative and highest number of positive outcomes.

Levels of planning

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 where we want to go. There are three levels of plannings:

1. Strategic plans

Planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization's mission, which is its

fundamental reason for existence. An organization's top management most often conduct strategic planning. In the process of determining company's strategic plans top- level managers set out to answer the following question: Where are we now? Where we want to be? How do we get there?

Strategic plans are formulated at three levels such as corporate level, business level and functional level. Corporate level plan focuses on formulating corporate goals and strategies to provide long term direction to whole business organization. Business level strategic plan is related to achieve competitive advantages. It looks for getting success from competition. Whereas functional level strategic plan is prepared by functional units or departments. It objective is to ensure effective coordination and allocation of resources among functional units.

2. Tactical plan

The tactical plan is related to translation broad goals and strategies into specific goal and action. It describes tactics that the organization plans to use to achieve the ambitions outlined in the strategic plan. It is a short range (i.e. with a scope of less than one year), low-level document that breaks down the broader mission statements into smaller, actionable chunks. If the strategic plan is a response to “What?”, the tactical plan responds to “How?”. Creating tactical plans is usually handled by mid-level managers.

The tactical plan is a very flexible document; it can hold anything and everything required to achieve the organization’s goals. That said, there are some components shared by most tactical plans**.** It emphasizes on the current operations of various parts of the organization. A tactical plan answers the following questions as what is to be done. Who is going to do it? How is it to be done?

3. Operational plans

Operational plans establish detailed standards that guide the implementation of tactical plans and establish the activities and budgets for each part of organization. organizational plans may go so far as to sets schedules and standards for the day-to-day operation of the business and name responsible supervisor, employees, or department.

Planning process

Planning, as we all know is deciding in advance what to do to and how to do. It is a process of decision making. How do we go about making a plan? Since planning is an activity there are certain logical step for every manager to follow:

i. Analyzing Opportunities

It is pre-planning stage. Organizations prepare plan to grab opportunities from environment and minimize threats or challenges. So, before starting to prepare plan, it is essential to analyze future opportunities. The planner conducts environmental scanning through SWOT analysis. The SWOT analysis identifies strengths, weakness, threats and opportunities. With the help of environmental scanning, the planner also identifies the extent of internal strengths to tackle external opportunities.

ii. Setting objectives:

The first and foremost step is setting objectives. Every organization must have certain objectives. Objectives maybe set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. Objectives must be guided by SMART principle, i.e., specific, measurable, attainable, realistic and time bound. Objectives should be stated clearly for all departments, each unit and employees. They give direction to all departments and control the activities of an organization, departments and each unit.

iii. Developing premises:

Planning is concerned with the future which is uncertain and every planner is using guess about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Planning premises are external and internal, as well as tangible and intangible External premises include total factors in task environment like political, social, technological, competitors, plans and actions, government policies. Internal factors include organization's policies, resources of various types, and the ability of the organization to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors. Further, production, sales, profit etc are tangible and goodwill, attitude, satisfaction are intangible premises.

The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organizational hierarchy the composition of planning premises changes from external to internal**.** All managers involved in planning should be familiar with and use the same assumptions.

iv. Identifying alternative:

Once objectives are set assumptions are made, then the next step would be to act upon them. Alternatives are the ways to achieve objectives. Particular objectives can be achieved in varieties of ways. All the alternative courses of actions or ways of achieving objectives should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adapted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.

v. Evaluating alternative courses:

The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each alternative need to be evaluated in the light of the objective to be achieved. Alternative are evaluated in the light of their suitability feasibility and affordability.

vi. **Selecting an alternative**

It is choosing the best or ideal alternative out of several alternatives. The ideal or best alternative would be the most suitable, feasible, profitable and with least negative consequences. In other words, the alternative which is suitable to the environment, acceptable to stakeholders and affordable to the organization is selected.

vii. **Formulation of Derivation plan:**

Derivative plans are the action plans. It is necessary to formulate action or derivative plans to each department or steps of work of the organization. These actions plans involve formulation of policies, rules, process and procedure, schedule and budget to complete the objectives. It is difficult to implement the main plan without formulating derivative plan.

viii. **Implementing the plan:**

This is a state where the managerial functions also come into the picture. The step is concerned with putting the plant into action, i.e. doing what is required. In the absence of implementation, planning will be limited in paper. For the effective implementation it requires communication with sub-ordinates, make necessary arrangement of the resources, timely supervision and control of subordinate.

ix. **Follow- up action:**

To see whether plants are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.

Planning Horizon

Planning horizon is the time frame within which plans are meant to put into action. On the basis of time, plans are formulated into following three time frame:

i. Long term planning

The plan which is prepared for five years and more is called long term plan. It specifies what the organization wants to become in long run. These plans are prepared to achieve strategic goals. Long term plans are formulated by top level management.

ii. Mid-term Plan;

Mid-term plan translates long term plans into specific goals and plans that are most relevant to a particular organizational unit. The mid-term plans also provide details of how the company or will compete within its chosen business area. Middle level managers have the primary responsibility for formulating and executing tactical plans. These plans are based on marketplace realities when developed for a business.

iii. Short term plan

The plan which has time frame of one year or less is called short term Plans. It provides basis for day-to-day operations. Supervisors, team leaders, and facilitators develop short term plans to support tactical plans.

Single Use Plan, Standing Plan, Contingency Plan and Derivative Plan.

i. Single-use plans

Single use plans are also called one time plan or specific plan since their objective is to solve a particular problem. Once the plan is applied or executed that will not recur or repeat. A one-time occurrence, it deals with the - who, what, where, how, and how much of an activity. these become obsolete after achieving their purpose. The examples of these plans are: projects, budgets, programs. If the organization wants to use, it needs to revise it. The specific application of single use plan are as follows:

i. To address short-term challenges or provide guidance for short-term initiatives.
ii. To determine activities required to accomplish goals.
iii. To solve specific problems within fixed time frame.
iv. To allocate financial and other resources required to accomplish task

ii. Standing use plan

Plan which is prepared for the programmed decision is called standing planning. Standing plans are also called 'repeated use' plans because these provide guidelines for actions to be taken in future. This plan gives broad guidelines for repetitive activities. Once the standing plan is formulated, it will be used repeatedly in different situations to achieve organizational goals. Objectives, rules, policies, procedures and strategies are the example of standing use plan. The uses or applications of standing plan are:

i. To guide managerial decisions and actions on problems which are recurring in nature.
II. Provide unity and uniformity of efforts in meeting repetitive situations arising at various levels of the enterprise.
III. To provide ready guidelines for tackling situations of recurring nature. These plans not only help in co-ordination but in effective management also.
iv. To bring consistency, uniformity and unity in efforts.
v. To provide ready frames of reference whenever some difficulty arises in taking decisions.
vi. To help in better administrative control and make better decision.

Contingency Plan

A plan formulated that can be followed if an original plan is not possible to respond in the best possible manner to an unexpected, unforeseen crisis or emergency is called contingency plan. It is a management decision, made in advance, that will determine how resources, communications and logistics will be handled when such circumstances might arise. Contingency planning is often a vital part of an organization's risk management policy, especially when exceptional circumstances, or catastrophes. There are two major forms of contingency plan i.e. crisis management and scenario plan.

Crisis Management: Crisis is a discrete condition caused by unexpected situation such as earthquake, flood, pandemic like Covid etc. which harms or negatively influence the organization and human life. So, crisis management is the process by which an organization deals with a disruptive and unexpected event that threatens to harm the organization or its stakeholders. It is a proactive strategy that prevents the organization from unexpected or catastrophic situation.

Scenario Planning: Scenarios are thorough and probable views of how business environments might extend in to the future. Scenario planning involves developing different plausible scenarios of an organization's future. It is used when external environment is extremely volatile and unpredictable. It does not predict the future but tells the possibilities of happening in the future. It prepares a contingency plan with several options.

Derivative plan

Derivative plans are the sub plans or secondary plans which help in the achievement of main plan. These are meant to support and accelerate the achievement of basic plans. For example, if the profit maximization is basic or main plan, sales maximization, cost reduction, quality improvement, effective utilization of resources may be derivative plans. These detail plans include policies, procedures, rules, programs, budgets, schedules, etc.

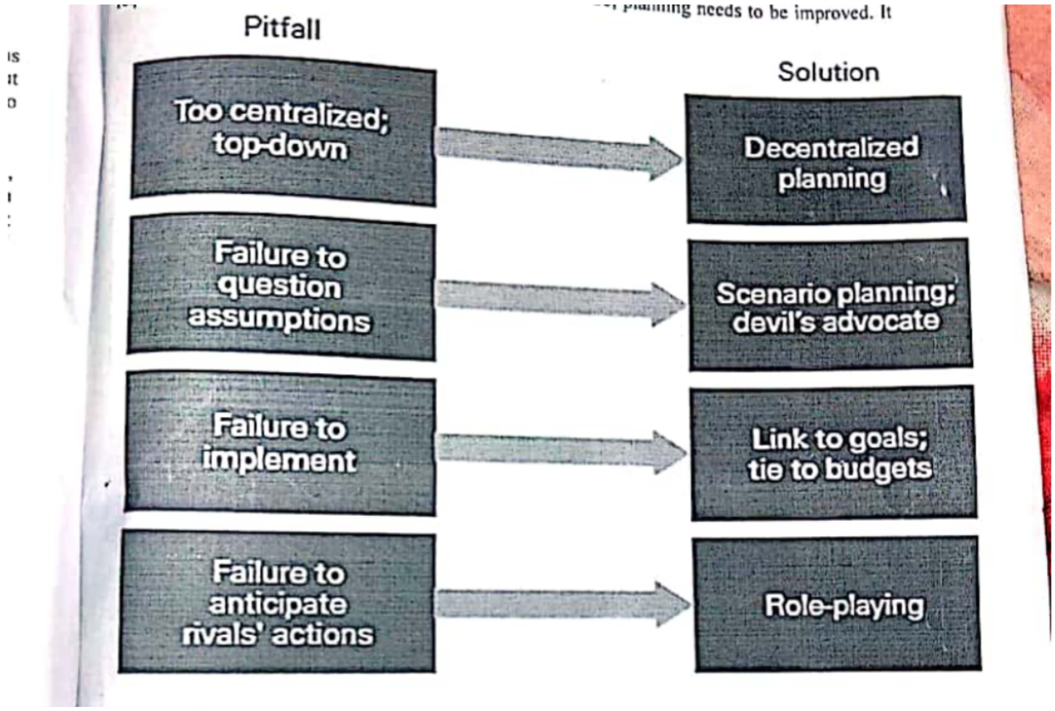
THE PITFALLS OF PLANNING

Pitfalls are the limitation. These are major causes by which plans sometimes fail to produce the desired results. According to Mc Shane major pitfalls of planning are as follows:

1. **Too centralized and top-down**: some planning systems are to centralized and top-down, as a result, planners make decision that do not take market realities into account. A handful planners make a plan without participating lower-level managers and lower-level managers and employees are reluctant to implement the plan.
2. **Failure to Question Assumptions**: All plans are based on assumptions about the future. Sometimes those assumption are wrong, even when the plans are first made. Other times assumptions may have initially been reasonable, but unanticipated changes may have invalidated them. In either case the result is that the plans are no longer valid and useless management recognizes this in a timely manner and makes adjustments, the plans will fail to produce the desired results.
3. **Failure to implement**: Plans often fail because they are not put into action. When planning exercise has been completed, the planning books stay, on the shelf gathering, dust never to be open again. One reason plans are not put into action is that it is difficult to do. So particularly if plan calls for departure from the regular way of doing business or requires the substantial change in organizational practices.
4. **Failure to Anticipate Rival's Actions**: Plan can fail because managers do not consider what rivals are doing. The planners proceed as if the organization has no rivals, and they make investments based on plans without considering how the value of those investments will be affected by rivals' actions.

Improving Planning

Planning is on unambiguously or central tax of management. Without planning an organization would be chaotic, drifting like a ship without propulsion. So, planning needs to be improved. It requires following methods.



1. **Decentralized planning**

An important principle of good planning is that those who have primary responsibility for putting a plan into action should also participate in formulating the plan. So, to guard against the problem associated with centralized, top-down planning, managers need to ensure that the responsibility for planning is decentralized to the participate in the planning process.

2. **Scenario Planning and Devil's Advocate**

Scenario planning is developing plausible about the long-term future. It does not predict the future but shows different possibilities of happening the events one of the great advantages of scenario method is that it is not based on a single assumption about the future. The scenario planning methods force manager to think about what they would do under different assumptions about the future. In addition, managers can use an independent "devil's advocate" to question plans and their underlying assumption, exposing only clothes any flaws week assumptions.

3. **Links to Goals and Tie to budgets**

The hard truth is that plans will not work unless they are linked to goals that matter and are tied to operating budgets. To make sure plans are implemented managers need to follow the step of the planning model to their conclusion-drafting action plans, identifying who is responsible for putting the plants into effect, tying budgets to plan and holding manager accountable for reaching goals.

iv. **Role Playing**

Managers need to consider how rivals will respond to their plans. One technique of doing this is to engage the strategic role-playing where groups within the organization take on the role of completing enterprise and state how they would counter the plans of the organization.