

# Module 3

# Planning



# PLANNING

- Planning is the **first managerial** function to be performed. It is concerned with deciding in advance **what** is to be done in future, **when**, **where** and by **whom** it is to be done. It is a process of **thinking before doing**.
- Planning is preparing a sequence of action steps to achieve some specific goal

*“Without the activities determined by planning, there would be nothing to organize, no one to activate and no need to control”.*

George R. Terry

# Nature of Planning

1. Planning is **goal-oriented**: Planning has no meaning without being related to goals.
2. Primacy of Planning: Planning is the **first of the managerial functions**. It precedes all other management functions.
3. Pervasiveness of Planning: Planning is **found at all levels of management**. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.

# Nature of Planning

5. Efficiency, Economy and Accuracy: Efficiency of plan is measured by its **contribution to the objectives as economically** as possible. Planning also focuses on accurate forecasts.
6. Co-ordination: Planning co-ordinates the **what, who, how, where and why of planning**.
7. Limiting Factors: A planner must recognize the limiting factors (**money, manpower** etc.)
8. Flexibility: The process of planning should be **adaptable** to changing environmental conditions.
9. Planning is an intellectual process: The quality of planning will vary according to the **quality of the mind of the manager**.

# OBJECTIVES OF PLANNING

1. Helps in effective forecasting
2. Provides certainty in the activities
3. Establish coordination in the enterprise
4. Provides economy in the management
5. Helpful in the accomplishment of budgets
6. Gives direction to all the activities of an organization

# MERITS AND DEMERITS OF PLANNING

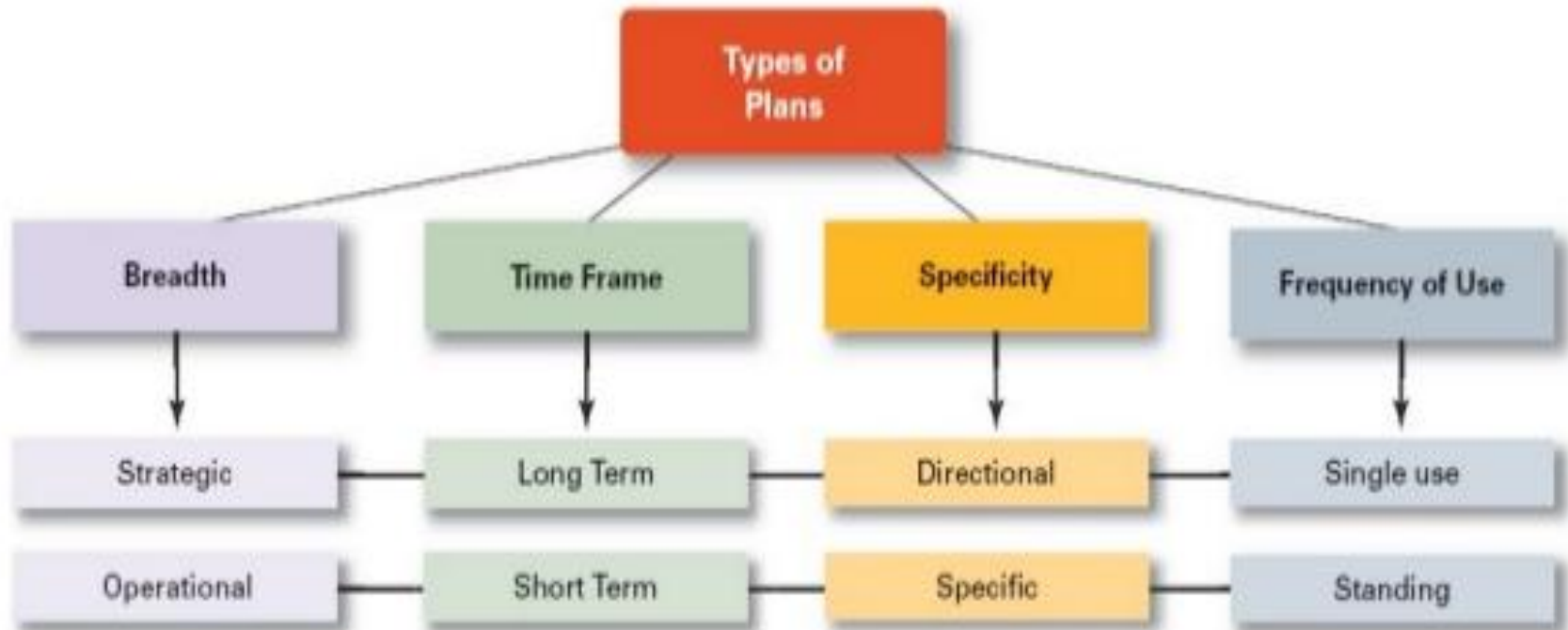
## Advantages:

- 1.Reduces uncertainty
- 2.Ensures economical operations
- 3.Facilitates control
- 4.Improves motivation
- 5.Gives competitive edge
- 6.Avoids duplication of efforts

## Disadvantages :

- 1.Limitations of forecasts
- 2.Rigidity in administration
- 3.Time consuming process
- 4.Costly affair
- 5.Influence of external factors
- 6.Psychological factors

# Types of Planning



# Planning based on Scope

1. **Strategic planning:** A strategic plan is an outline of steps designed with the goals of the entire organization as a whole ,rather than with the goals of specific divisions or departments. These plans usually span two year or more .Done by the top management.
2. **Tactical planning:** A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. These plans usually span one year or less. Done by the middle level management.



# Planning based on Scope

3.Operational planning: The specific results expected from departments, work groups, and individuals are the operational goals.

An operational plan is one that a manager uses to accomplish his or her job responsibilities.

Supervisors, team leaders, and facilitators develop operational plans to support tactical plans

# Planning based on Time horizon

1. Long range planning: for a period of five years at least. Involves capital budgeting, product planning, project planning etc. deals with a great uncertainty.
2. Medium range: for one to five years. Relate to development of new products and markets, product publicity etc. supportive to long range plans.
3. Short range: Up to one year. Made to achieve short term goals. Focused on the internal environment of the business.

# Planning based on Frequency of use

1. Single use plan: A one time plan specifically designed to **meet the needs of a unique situation**. The important forms of single use plans are *programmes, budget and project*

## a) Programmes

- Programmes **are large scale single use plans** that coordinates a complex set of activities to achieve goals.
- Program spells out clearly the step to be taken, the resources to be used and the time period within which the task is to be completed.

# Planning based on Frequency of use

## b) Budgets

- Budget outlines the expected results of a given future period in numerical terms
- A budget may be expressed in either in financial terms or in terms of units of production.

## c) Projects

- b) A project help in precise allocation of duties and effective control and easy implementation of the plan

# Planning based on Frequency of use

1. **Standing plan:** Ongoing plans that provide guidance for activities performed repeatedly. *Policies , procedures and rules and regulations are important terms of standing plan.*

## a) Policy

- A policy is the most general form of a standing plan
- It specifies the broad parameters within which organizations members are expected to operate in a pursuit of organizational goals

# Planning based on Frequency of use

## b) Procedure

- A procedure is chronological sequence of step to be undertaken to achieve an objective.
- It is more specific than a policy as it outlines the step to be followed under certain circumstances
- Procedures are guide to actions.

## c) Rules and Regulations

- c) Describe exactly how specific activities are to be carried out

# Planning based on Specificity

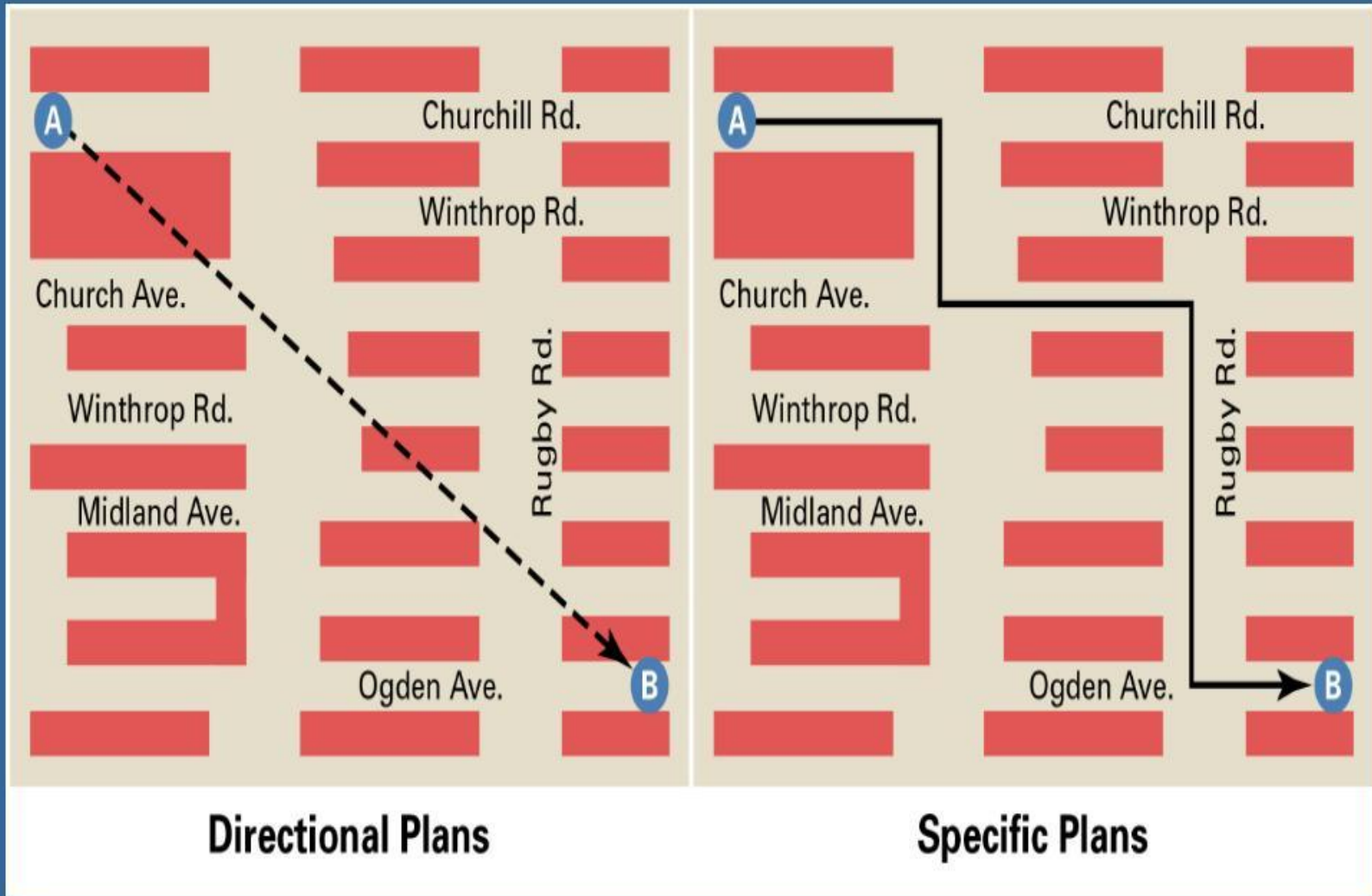
## 1. Specific plans

Specific plans **are clearly define** and leave no room for interpretation , these state its objective in such a way that **eliminate ambiguity** and problems with misunderstanding

## 2. Directional plans

Directional plans **are flexible** that set out general guidelines to deal with **high uncertainty** and ambiguity

# Specific Versus Directional Plans





# STEPS IN PLANNING

- Planning is never a one time activity of a business rather than a **continuous activity** performed throughout the life of the organization.



# STEPS IN PLANNING



## 1. Being aware of opportunities:

- The first step in planning process is the awareness of business opportunity and the need for taking action.
- **Present and future opportunities** must be found so that planning may be undertaken for them.
- A **feasibility study** is essential and before venturing into new areas the pros and cons of such projects should be evaluated.

## 2. Establishing Objectives



 **bjectives**

- This involves determining goals or objectives for **enterprise as a whole** and then for each **subordinate tier and unit**
- An awareness of opportunities in the context of **strengths and weaknesses** helps one establish a reasonable goal and draw up an action statement.
- Objectives must be clear, concise and specific. •

# STEPS IN PLANNING



## 3. Developing Premises

- The third step in logical sequence of planning is the establishment of the **premises** or **assumptions** on which action statements are built.
- Premises are the factors **facilitating** and **blocking** the goal achievements.
- External and internal premises
- Forecasting plays an important role in premising. By means of forecasting organizations try to answer various questions about future expectations and action statements.

# STEPS IN PLANNING

## 4. Determining Alternative Courses

- The fourth step is to search for and find out **alternative courses** of action
- At this stage managers decide **how to move** from their current position towards their decided future position.



## 5. Evaluating Alternative Courses

- Once alternative courses of action have been identified after seeking out alternative courses and examining their strong and weak points.
- Evaluating alternatives also includes determining the costs and expected efficiency of each.



# STEPS IN PLANNING



## 6. Selecting the best course of action

- After identifying the alternatives and considering the merits of each carefully, managers now **shall have to adopt a plan** and select one course of action.
- A plan is adopted at this point and is, therefore, the **real point of decision making**

## 7. Formulating Derivative Plans

- Managers often still need to develop one or more **supportive plans** to bolster their basic plan and to explain the many details involved in reaching a broad major plan.

# STEPS IN PLANNING

## 8.Implementation of Plans& Reviewing

- The planning should be put into action so that business objectives may be achieved.
- The implementation will require establishment of policies, procedures, standards and budgets.
- Through feed back mechanism results obtained are periodically monitored.

# Management By Objectives- MBO

## WHAT IS MBO ?

*Peter Drucker, (1954, "The Practice of Management")*

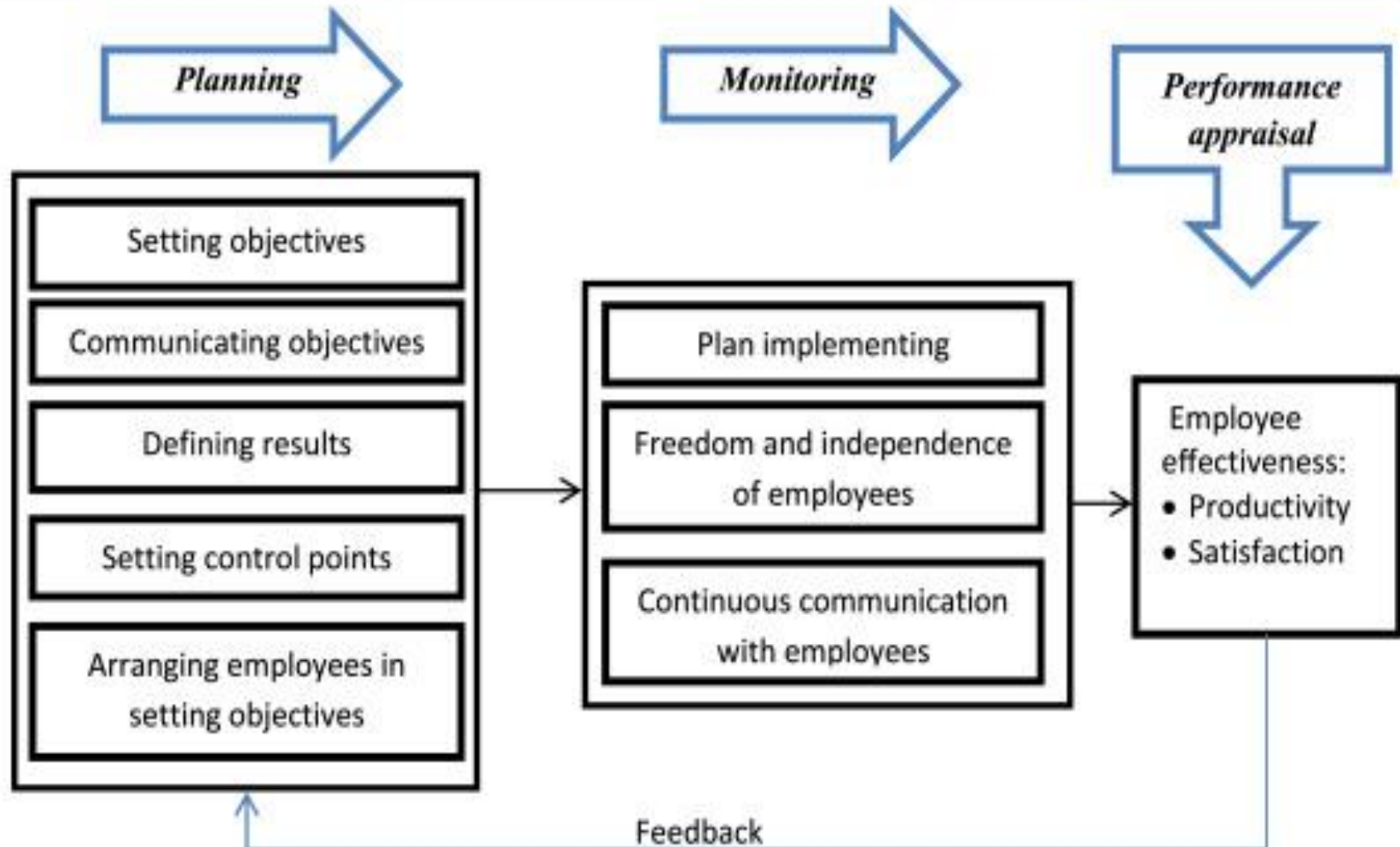
- Is a **systematic** and organized approach that allows management to **focus on achievable goals** and attain the best possible results from available resources
- Aims to increase individual and organizational effectiveness by **aligning organizational goals and subordinate objectives**
- Clarifies and quantifies objectives to allow for **monitoring, evaluation, and feedback** throughout the hierarchy of objectives

# STEPS FOR MBO

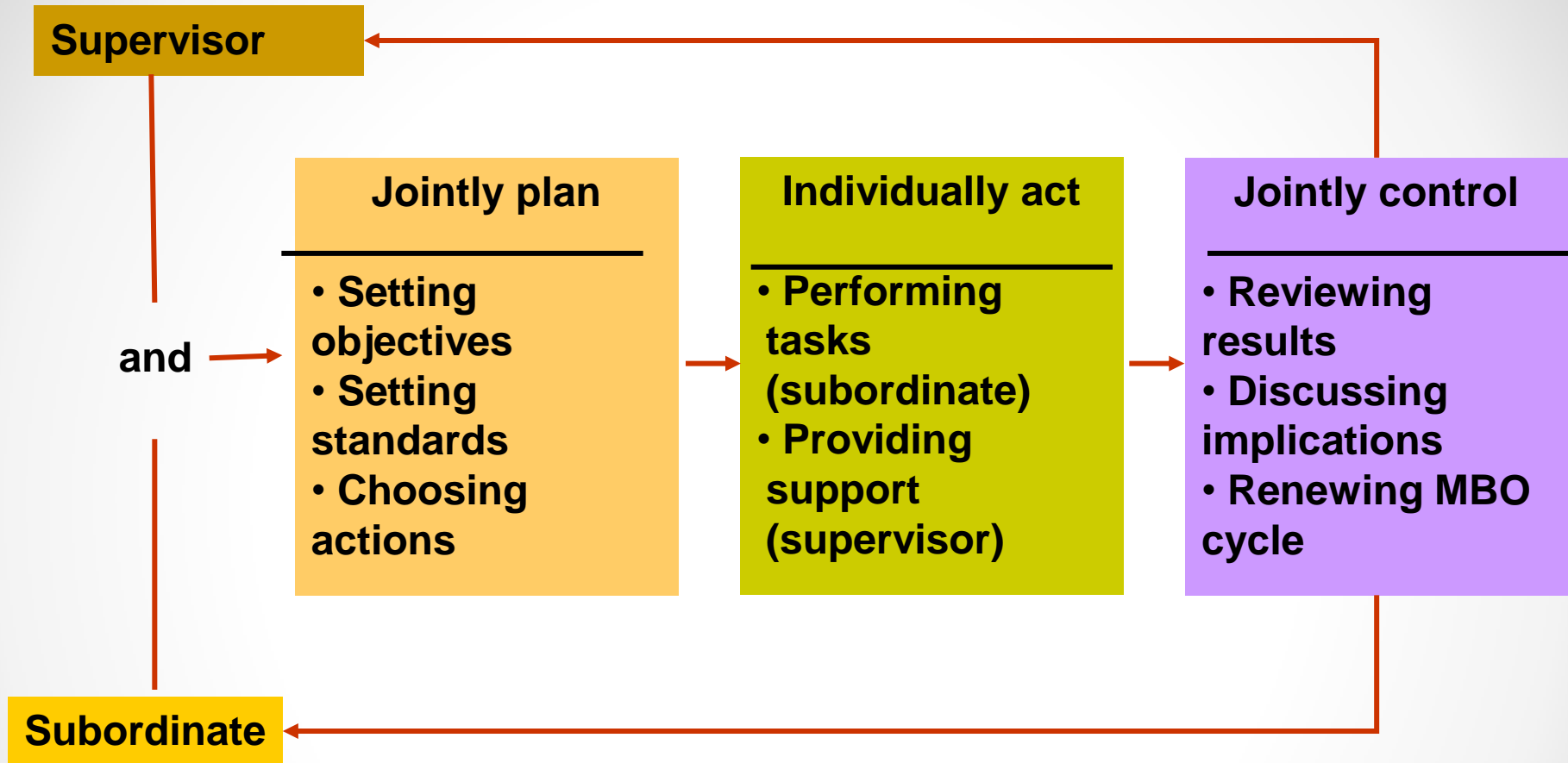
- **Set Goals** (The most difficult step)
  - What are we trying to accomplish?
- **Develop Action Plans**
  - “What do we need to do to get there?”
  - Groups and individuals
- **Review Progress**
  - “How are we doing?”
  - Periodically (How Often?)
  - Does plan need to be tweaked?
- **Appraise Performance**
  - Rewards?



## MBO Process



# MBO; FRAMEWORK CONCEPT



- Jointly identify common goals.
- Define major areas of responsibility in terms of results expected.
- Use measurements as guides for operating and assessing contributions of members.

# ADVANTAGES OF MBO

- Improves employee motivation
- Improves communication in the organisation
- Flags up and highlights training needs required to achieve objectives
- Improves overall performance and efficiency
- Facilitates effective control
- Attainment of goals can lead to the satisfaction of Maslow's higher order needs

# DISADVANTAGES OF MBO

- May demotivate staff if targets are too high and unrealistic, also if imposed rather than agreed
- Requires the cooperation of all employees to succeed
- Can be bureaucratic and time consuming (meetings, feedback)
- Can encourage short-term rather a more focused long-term growth
- Objectives may go out of date and can restrict staff initiative and creativity
- Setting targets for certain specialised employees may be difficult

**THANK  
YOU**