Chapter 4 Planning

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1) Nature of planning:

Planning is **thinking before the action takes place**. It helps us to deal with the situations, which we are expecting to deal with in the future. It actually involves logical thinking.

Planning is the primary management function because it establishes the basis for all the other things. It enables managers to organize, lead, and control.

1) Nature of planning:

Planning defines the organization’s **objectives** or goals, establishing an **overall strategy for** achieving those goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities. It’s concerned with ends (what is to be done) as well as with means (how it is done).

Without plans managers cannot know how to organize people and resources effectively.

2) Importance of Planning

 It helps managers to improve future performance, by establishing objectives and selecting a course of action, for the benefit of the organization.

 It minimizes risk and uncertainty, by looking ahead into the future.

 It facilitates the coordination of activities. Thus, reduces overlapping among activities and eliminates unproductive work.

 Planning promotes innovative ideas. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job.

2) Importance of Planning

 It states in advance, what should be done in future, so it provides direction for action.

 It identifies expected future opportunities and threats. . Planning facilitates decision making.

 It compares actual performance with the standard performance and efforts made to correct them.

2) Importance of Planning

Planning is the basic requirement of any organization for the success, survival and growth. Planning is present in all types of organizations. We need to plan because the future is highly uncertain and no one can predict the future, as the conditions can change anytime.

3) Barriers to Effective Planning

 Inability to plan or inadequate planning. Some managers are not successful planners because they lack the experience, education, and ability.

 Lack of commitment to the planning process. The development of a plan is hard work; it is much easier for a manager to claim that he doesn't have the time to work through the required planning process. Lack of commitment can be fear of failure. As a result, managers may choose to do little or nothing to help in the planning process.

 Facts that are out-of-date, of poor quality, or of insufficient quantity can be major barriers to planning.

3) Barriers to Effective Planning

 Failure to consider the long-term effects of a plan because of emphasis on short-term problems may lead to trouble in preparing for the future.

 Too much reliance on the organization's planning department. Many companies have a planning department or a planning and development team. These departments conduct studies, do research, build models, and project probable results, but they do not implement plans. Formulating the plan is still the manager's responsibility.

3) Barriers to Effective Planning

 Managers can find themselves concentrating on the things and events that they can control, such as new product development, but then fail to consider outside factors, such as a poor economy.

4) Steps of Planning

4) Steps of Planning

The planning process helps the organization to shape its future. An organization gets the insights of the future, effective planning involves simplicity of the plan.

Step 1 Analyzing Opportunities: Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment is the real starting point for planning.

Step 2 Setting Objectives: Organizational objectives give direction to the major plans, which by reflecting these objectives define the objective of every major department.

4) Steps of Planning

Step 3 Developing Premises Planning premises are external and internal. 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. The plans are formulated in the light of both external and internal factors.

Step 4 Identifying Alternatives Planning identifies alternatives, various alternatives can be identified based on the organizational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.

4) Steps of Planning

Step 5 Evaluating Alternatives: The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, and limited resources. The alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

Step 6 Selecting an Alternative: This is the real point of decision-making. An analysis and evaluation of alternative courses is required to select the best alternative, the fit one is selected.

4) Steps of Planning

Step 7 Implementing Action plan: After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

Step 8 Reviewing

5) Types of Goals

Goal setting is an effective tool for visualizing your future. It also is a great way to develop the motivation to move towards your ideal life. Goal setting is the act of visualizing the result; It is your vision of success.

In reality, all organizations have multiple goals to achieve success.

Most company's goals are classified as either strategic or financial.

Financial goals are related to the financial performance of the organization, while strategic goals are related to all other areas of an organization's performance. These goals are stated and real goals.

5) Types of Goals

Stated goals are official statements of what an organization says, and what it wants its stakeholders to believe its goals are. However, stated goals which can be found in an organization’s chart, annual report, or in public statements made by managers.

On the other hand, an organization’s real goals are those goals an organization actually pursues and observe what organizational members are doing.

Real and stated goals differ and it is important to recognize this.

Effectively Goal Setting

The use of SMART goal setting is important to reach your objectives.

Effectively Goal Setting

SMART stands for:

Specific – not general quantitative expression

Measurable – it is easy to measure its achievement levels

Achievable – means that an individual or unit should be responsible for achieving the goal

Relevant – the achievable goal should be compatible with resources not overestimated or underestimated

The goal should be realistic, i.e Within reach, realistic, and relevant to your life purpose**.**

Time-Based – to fix to a specific duration for the goal to attainment.

Effectively Goal Setting

Using this system will help you create goals that are achievable and realistic. Set your organization up for success, not failure.

Whatever you want to achieve out of life, knowing the difference between plans and goals is an integral to your success. The two terms sound interchangeable and are often mistaken for each other.

The difference between plans and goals is that goals are the end result, while plans are how you get there. These two work together to help motivate you and keep you on track for success

6) TYPES OF PLANS

Managers need plans to help them clarify and specify how goals will be met.

BREADTH OF USE	TIME FRAME	SPECIFICITY	FREQUENCY OF USE
Strategic	Long term	Directional	Single-use
Tactical	Short term	Specific	Standing

6) TYPES OF PLANS

The most popular types of plans are in:

1) Breadth (strategic versus tactical)

Strategic plans are those that apply to an entire organization and encompass the organization's overall goals.

Tactical plans specify the details of how the overall goals are to be achieved (sometimes referred to as operational plans). When Amazon invested in its Vodafone business, it was the result of strategic planning. Deciding when, where, and how to actually operate the business was the result of tactical plans in marketing, logistics, finance etc.

6) TYPES OF PLANS

2) Time frame (long term versus short)

The number of years used to define short-term and long-term plans has declined considerably due to environmental uncertainty.

Long term used to mean anything over five years. Imagine what you're likely to be doing in five years so managers need to plan that far in the future. Thus, long-term plans are now defined as plans with a time frame beyond three years.

Short term plans cover one year or less.

6) TYPES OF PLANS

3) specificity (directional versus specific) Intuitively, it would seem that specific plans would be preferable to directional, or loosely guided, plans.

Specific plans are plans that are clearly defined and leave no room for interpretation. For example, a manager who wants to increase his work unit’s output by 8 percent over the next year. So he might establish specific procedures, budget allocations, and work schedules to reach that goal.

However, **a directional plan** is used when uncertainty is high. Managers must be flexible in order to respond to unexpected changes.

6) TYPES OF PLANS

4) Frequency of use (single-use versus standing).

Frequency of Use: are plans that managers develop for the frequency of use.

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation. For instance, when Dell began developing a pocket-sized device for getting on the Internet, managers used a single-use plan to guide their decisions.

On the other hand, **standing plans** are ongoing plans that provide guidance for activities performed repeatedly. For example, when you register for the upcoming semester, you're using a standardized registration plan at your college. The dates change, but the process works the same way semester after semester.

7) Planning in Dynamic Environments

In an uncertain environment, managers should develop plans that are specific, but flexible. To be useful, plans need some specificity, but the **plans should be flexible**.

Managers need to recognize that **planning is an ongoing process**. They should be ready to change directions according to environmental conditions. This flexibility is particularly important as plans are implemented. Managers need to stay alert to environmental changes that may impact implementation and respond as needed.

Even when the environment is highly uncertain, it is important to continue formal planning in order to see any effect on organizational performance.

7) Planning in Dynamic Environments

Finally, **the organizational hierarchy should be flat in order to effectively plan in a dynamic environment**. A flatter hierarchy means **lower organizational levels** can set goals and develop plans so goals and plans could flow down from the top. Managers should teach their employees how to set goals and to plan and then trust them to do it.

Nowadays, in businesses around the world, technology moves faster than business. Actually, annual planning is becoming is very important and needs to be dynamic. **A dynamic plan allows employees to take intelligent risks**, pursue unforeseen opportunities, respond swiftly to threats, adopt new technology, and carry out new ideas. It is time to step away from tradition into a new way of planning, one that invests more time in maximizing productivity and flexibility

Thank you...,