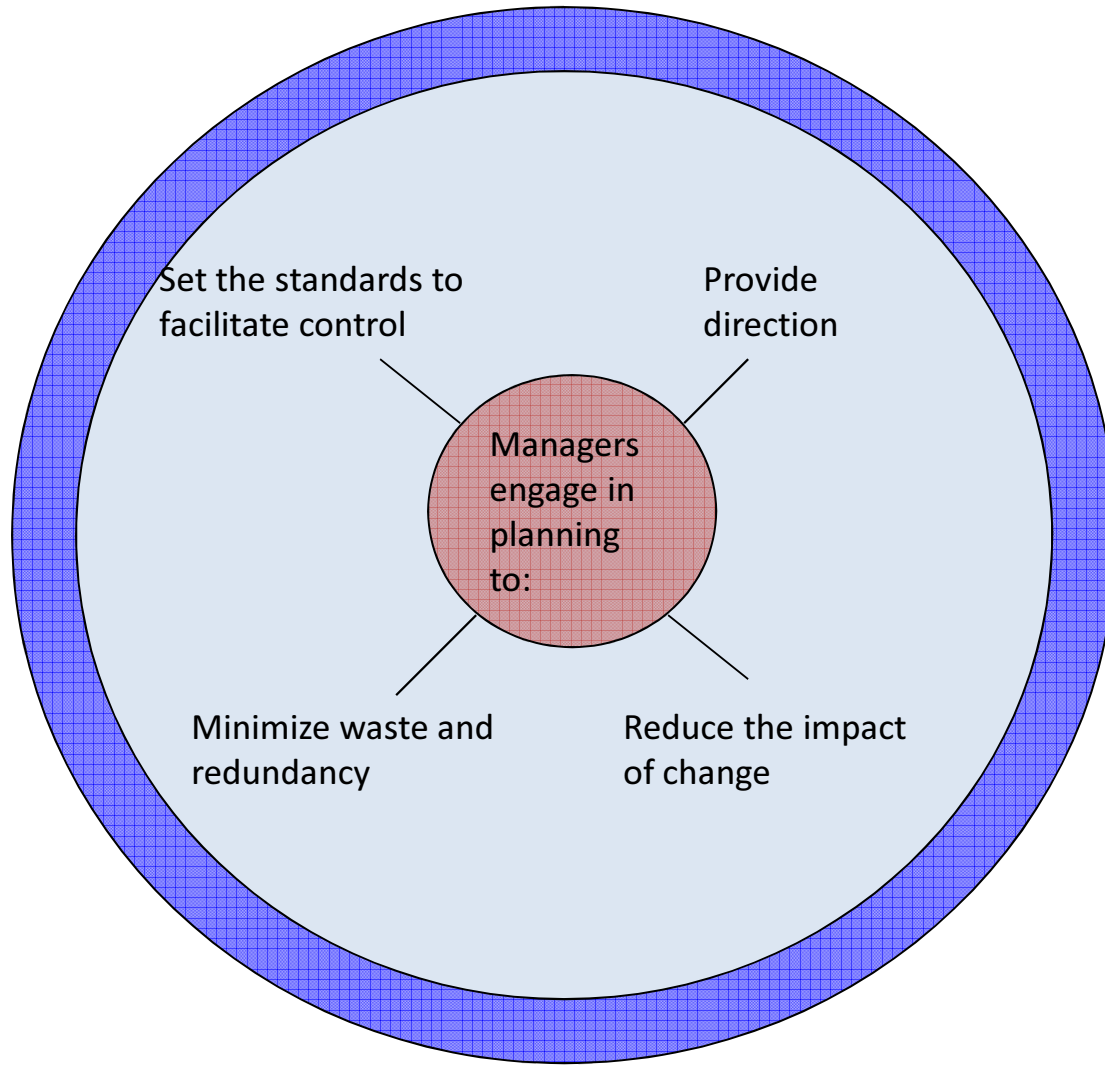


Planning

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Purpose of Planning



Planning

- **Planning** means looking ahead and chalking out future courses of action to be followed.
- It is a preparatory step.
- It is a systematic activity which determines when, how and who is going to perform a specific job.
- Planning is a detailed programme regarding future courses of action. It is rightly said “**Well plan is half done**”.
- Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment.
- It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

Definition

- According to Urwick, “Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses”. Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.
- According to Koontz & O’Donell, “Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur”.

Characteristics of Planning

- **Planning is goal-oriented.**
 - Planning is made to achieve desired objective of business.
 - The goals established should have general acceptance otherwise individual efforts & energies will go misguided and misdirected.
 - Planning identifies the action that would lead to desired goals quickly & economically.
 - It provides sense of direction to various activities. E.g. Maruti Udyog is trying to capture once again Indian Car Market by launching diesel models.

- **Planning is looking ahead.**
 - Planning is done for future.
 - It requires peeping in future, analyzing it and predicting it.
 - Thus planning is based on forecasting.
 - A plan is a synthesis of forecast
 - It is a mental predisposition for things to happen in future.

- **Planning is an intellectual process.**
 - Planning is a mental exercise involving creative thinking, sound judgement and imagination.
 - It is not a mere guesswork but a rotational thinking.
 - A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
 - Planning is always based on goals, facts and considered estimates.

- **Planning involves choice & decision making.**
 - Planning essentially involves choice among various alternatives.
 - Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
 - Thus, decision making is an integral part of planning.
 - A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

- **Planning is the primary function of management / Primacy of Planning.**
 - Planning lays foundation for other functions of management.
 - It serves as a guide for organizing, staffing, directing and controlling.
 - All the functions of management are performed within the framework of plans laid out.
 - Therefore planning is the basic or fundamental function of management.

- **Planning is a Continuous Process.**

- Planning is a never ending function due to the dynamic business environment.
- Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
- Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

- **Planning is all Pervasive.**

- It is required at all levels of management and in all departments of enterprise.
- Of course, the scope of planning may differ from one level to another.
- The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

- **Planning is designed for efficiency.**

- Planning leads to accomplishment of objectives at the minimum possible cost.
- It avoids wastage of resources and ensures adequate and optimum utilization of resources.
- A plan is worthless or useless if it does not value the cost incurred on it.
- Therefore planning must lead to saving of time, effort and money.
- Planning leads to proper utilization of men, money, materials, methods and machines

- **Planning is Flexible.**

- Planning is done for the future.
- Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, govt. policies etc.
- Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

Types of Planning

S.No.	Dimensions	Types of Planning
1	Coverage of Activities	Corporate and functional Planning
2	Importance of contents	Strategic and Tactical/ operational Planning
3	Time period involved	Long term and Short Term Planning
4	Approach adopted	Proactive and Reactive Planning
5	Degree of formalization	Formal and Informal Planning

Corporate Planning

- Denotes planning activities at the top level which covers the entire organizational activities
- The basic focus of corporate planning is to determine the long-term objectives of the organization as a whole. And then to generate plans to achieve these objectives taking into mind the likely changes in the external environment (macro level). Corporate planning is generally carried out at the top level of management.
- “Corporate planning includes the setting of objectives, organizing the work, people and systems to enable those objectives to be attained, motivating through the planning process and through the plans, measuring performance and so controlling progress of the plan and developing people through better decision making, clearer objectives, more involvement and awareness of progress.” —David Hussey

- Hussey has given a broad definition of corporate planning. It covers various functions of management besides defining planning. Corporate planning is the total planning activities in the organization and not the total management functions.
- “Corporate Planning is the continuous process of making present risk taking decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions, and measuring expectations through organized, systematic feedback.” —Peter Drucker
- The corporate planning activities are carrying out at the top level. They are important for the success of the entire organization. The top management is responsible for the formulation of such plans and is prepared according to the inputs that are given to them either from the environment or the lower levels in the organizational hierarchy. The plans are generally long term and are broad based.

Functional Planning

- The planning that is made to ensure smooth working of the organization taking into account the needs of each and every department. The purpose of functional planning is to promote standardized management practices for corporate functions in the department's decentralized corporate management structure.
- **The following three basic activities have to be carried out in functional planning:**
- **(1) Functional Guidance:**
 - Managers must be told and guided what they should be doing to properly manage corporate functions within the enterprise.
- **(2) Goal Setting:**
 - Certain quantifiable goals need to be set that would measure the effectiveness of the functional planning. Goals should be meaningful, achievable and measureable.

- **(3) Functional Assessments:**

- Functional assessment wraps up the functional planning process. Here the Comparison is made between the goal setting and the goal achievement. The functional assessment should have the following characteristics:

- **(i) Substantiation:**

- Managers who are responsible for corporate functions must explain how resources and activities devoted to their function provide support to the achievement of the corporate priorities and functional targets.

- **(ii) Measure of Success.**

- Managers responsible for corporate functions must quantifiably measure the success in meeting goals identified in their functional guidance.

- **(iii) Foresight:**

- Managers should be in a position to identify developing gaps and risks faced in their respective functional areas, along with recommendations to fill up those gaps and risks.

Strategic planning

- Strategic Planning consists of the process of developing strategies to reach a defined objective. It sets the long-term direction of the organization in which it wants to proceed in future. According to Anthony it can be defined as the “process of deciding on the objectives of the organization, on changes on these objectives and on the policies that are to govern the acquisition, use and disposition of these resources.”
- An assessment of available resources is made at the top and then things are planned for a time period of upto 10 years. It basically deals with the total assessment of the organization, strengths capabilities and weaknesses and an objective evaluation of environment is made for future pursuits.

- Examples of strategic planning in an organization may be; planned growth rate in sales, diversification of business into new lines, type of products to be offered and so on. Strategic planning also involves the analysis of various environmental factors specifically with respect to how organization relates to its environment.
- The strategic planning may be carried out in series of steps that include the
 - 1. Specifying Missions and Objectives.
 - 2. Elaborate Environmental Scanning.
 - 3. Strategy Formulation.
 - 4. Strategy Implementation
 - 5. Evaluation and Control

Tactical/Operational planning

- Operational planning, is also known as tactical or short-term planning, usually, covers one year or so. Operational planning involves the conversion of strategic plans into detailed and specific action plans. These plans are designed to sustain the organization in its products Operational planning is done at the middle or lower level of management Operational planning can be defined as follows:
- “Operational planning is the process of deciding, the most effective use of the resources already allocated and to develop a control mechanism to assure effective implementation of the actions so that organizational objectives are achieved.”
- **An Operational plan is an annual work plan:**
- It narrates short term business strategies; it explains how a strategic plan will be put into operation (or what portion of a strategic plan will be put into operation (or what portion of a strategic plan will be addressed) during a given operational period (fiscal year).

- These plans are to support strategic plans whenever some difficulty is faced in its implementation. Any changes in internal organization or external environment have to be met through tactical plans.
- For examples, there is sudden change in prices of products, difficulty in procuring raw materials, unexpected moves by competitors; tactical plans will help in meeting such unforeseen situations. The success of tactical plan depends upon the speed and flexibility with which management acts to meet sudden situation.
- Operational planning is concerned with the efficient use of resources already allocated and with the development of a control mechanism to ensure efficient implementation of the action so that business objectives are attained.

Long Term Planning

- Strategic nature
- More than One year period generally 3-5 years
- Encompasses all the functional areas of business
- Effected by Social, Economic and Technological factors

Short Term Planning

- Operational or Tactical
- Usually covers one year
- Aimed at sustaining organization in its production and distribution of goods and services

Proactive Planning

- It is based on the anticipation of the future outcomes and state of affairs that would affect the working of the organization. Such a planning has to be broad based, highly flexible and creative by nature.
- The organization that favours this kind of planning often anticipates the future and takes necessary steps before the happening of the events. In India, companies like Reliance Industries, Hindustan Lever etc., have adopted this approach and their growth rate has been much faster than others.

Reactive Planning

- As the name suggests, this kind of planning is not in the anticipation of the future but becomes active only when the problem is confronted or has already occurred.
- This is merely the corrective action that is taken.
- This approach of planning is useful in an environment which is fairly stable over a long period of time.

Formal planning

- Formal Planning exists in the formal hierarchy of the organization and is always carried out in the stepwise process. It is according to the pre expressed policies and the rules of the organization.
- This type of planning is done at a large scale and is based on the logical thinking.
- The planning process that is adopted is documented, and regular.

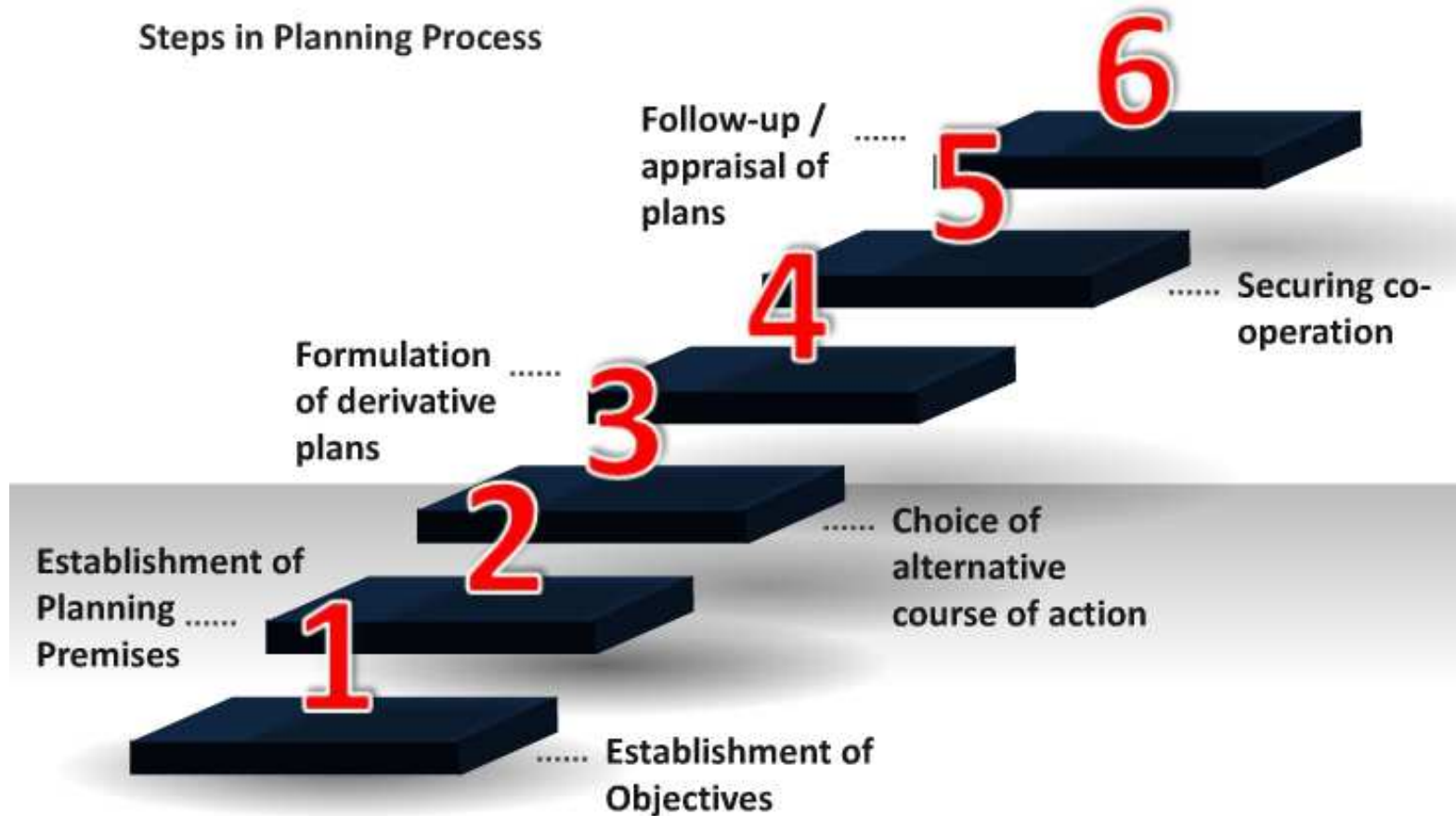
Informal Planning

- Informal Planning is usually carried out in very small organizations where the formal organization structure may or may not exist.
- The planning is usually intuitive in nature and is short termed. Since the environment for smaller organizations is not complex, they do reasonably well with informal planning process.

Steps of Planning

Planning as Function of Management

Steps in Planning Process



Establishment of objectives

- Planning requires a systematic approach.
- Planning starts with the setting of goals and objectives to be achieved.
- Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- Moreover objectives focus the attention of managers on the end results to be achieved.
- As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- Such goals should be specified in qualitative terms.
- Hence objectives should be practical, acceptable, workable and achievable.

Establishment of Planning Premises

- Planning premises are the assumptions about the likely shape of events in future.
- They serve as a basis of planning.
- Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- It is to find out what obstacles are there in the way of business during the course of operations.
- Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.
- Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
- Internal premises are controllable whereas external are non-controllable.

Choice of alternative course of action

- When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- After objective and scientific evaluation, the best alternative is chosen.
- The planners should take help of various quantitative techniques to judge the stability of an alternative.

Formulation of derivative plans

- Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- Derivative plans indicate time schedule and sequence of accomplishing various tasks.

Securing Co-operation

- After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
- The purposes behind taking them into confidence are
 - Subordinates may feel motivated since they are involved in decision making process.
 - The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
 - Also the employees will be more interested in the execution of these plans.

Follow up/Appraisal of plans

- After choosing a particular course of action, it is put into action.
- After the selected plan is implemented, it is important to appraise its effectiveness.
- This is done on the basis of feedback or information received from departments or persons concerned.
- This enables the management to correct deviations or modify the plan.
- This step establishes a link between planning and controlling function.
- The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

Advantages of Planning

- **Planning facilitates management by objectives.**
 - Planning begins with determination of objectives.
 - It highlights the purposes for which various activities are to be undertaken.
 - In fact, it makes objectives more clear and specific.
 - Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
 - Without planning an organization has no guide.
 - Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
 - Therefore, planning brings order and rationality into the organization.

- **Planning minimizes uncertainties.**

- Business is full of uncertainties.
- There are risks of various types due to uncertainties.
- Planning helps in reducing uncertainties of future as it involves anticipation of future events.
- Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
- Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

- **Planning facilitates co-ordination.**
 - Planning revolves around organizational goals.
 - All activities are directed towards common goals.
 - There is an integrated effort throughout the enterprise in various departments and groups.
 - It avoids duplication of efforts. In other words, it leads to better co-ordination.
 - It helps in finding out problems of work performance and aims at rectifying the same.

- **Planning improves employee's moral.**

- Planning creates an atmosphere of order and discipline in organization.
- Employees know in advance what is expected of them and therefore conformity can be achieved easily.
- This encourages employees to show their best and also earn reward for the same.
- Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

- **Planning helps in achieving economies.**

- Effective planning secures economy since it leads to orderly allocation of resources to various operations.
- It also facilitates optimum utilization of resources which brings economy in operations.
- It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

- **Planning facilitates controlling.**

- Planning facilitates existence of certain planned goals and standard of performance.
- It provides basis of controlling.
- We cannot think of an effective system of controlling without existence of well thought out plans.
- Planning provides pre-determined goals against which actual performance is compared.
- In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

- **Planning provides competitive edge.**

- Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
- With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
- Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

- **Planning encourages innovations.**
 - In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
 - Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

Limitations of Planning

- **Rigidity**
 - Planning has tendency to make administration inflexible.
 - Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
 - There is no scope for individual freedom.
 - The development of employees is highly doubted because of which management might have faced lot of difficulties in future.
- Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

- **Misdirected Planning**

- Planning may be used to serve individual interests rather than the interest of the enterprise.
- Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit ones own requirement rather than that of whole organization.

- Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

- **Time consuming**

- Planning is a time consuming process because it involves collection of information, it's analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.

- Therefore planning is not suitable during emergency or crisis when quick decisions are required

- **Probability in planning**

- Planning is based on forecasts which are mere estimates about future.
- These estimates may prove to be inexact due to the uncertainty of future.
- Any change in the anticipated situation may render plans ineffective.
- Plans do not always reflect real situations inspite of the sophisticated techniques of forecasting because future is unpredictable.
- Thus, excessive reliance on plans may prove to be fatal.

- **False sense of security**

- Elaborate planning may create a false sense of security to the effect that everything is taken for granted.
- Managers assume that as long as they work as per plans, it is satisfactory.
- Therefore they fail to take up timely actions and an opportunity is lost.
- Employees are more concerned about fulfilment of plan performance rather than any kind of change.

- **Expensive**

- Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money
- According to Koontz and O'Donell, ' Expenses on planning should never exceed the estimated benefits from planning. '