PLANNING

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Meaning

- In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.

- Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

- Another important ingredient of planning is time. Plans are always developed for a fixed time period as no business can go on planning endlessly.

Definition

Planning can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done”.

Keeping in mind the time dimension we can define planning as “Setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from the different courses of actions”.

Features/Nature/Characteristic of Planning

- Planning contributes to Objectives
- Planning is Primary function of management Pervasive
- Planning is futuristic/Forward looking
- Planning is continuous
- Planning involves decision making
- Planning is a mental exercise

Importance/Significance of Planning

- Planning provides Direction
- Planning Reduces the risk of uncertainties
- Planning reduces over lapping and wasteful activities
- Planning Promotes innovative ideas
- Planning Facilitates Decision Making
- Planning establishes standard for controlling
- Focuses attention on objectives of the company

Limitations of Planning

- Planning leads to rigidity
- Planning may not work in dynamic environment
- Planning involves huge Cost
- It is a time consuming process
- Planning does not guarantee success

Planning Process

1. Setting up of the objectives

2. Developing premises

3. Listing the various alternatives for achieving the objectives

4. Evaluation of different alternatives

5. Selecting an alternative

6. Implement the plan

7. Follow-up

Plan:

Plan is a document that outlines how goals are going to be met. It is a specific action proposed to help the organization achieve its objectives. There may be more than one way and means of reaching a particular goal but with the help of logical plans, objectives of an organization could be easily achieved.

Single Use Plans:

Single use plans are one time use plan. These are designed to achieve a particular goal that once achieved will not reoccur in future. These are made to meet the needs of unique situations. The duration or length of single use plan depends upon the activity or goal for which it is made. It may last one day or it may last for weeks or months if the project for which it is made is long.

Standing Plans:

Standing plans are also known as Repeat Use Plans. These plans focus on situations which occur repeatedly. Standing plans are used over and over again. They are made once but retain their value over a period of years. Although some revisions and updates are made in these plans from time to time.

Types of Plans

Planning is a pervasive function which means it is not the task of top level managers only but managers working at different levels perform planning function. The plans framed by top level manager may differ from the plans formed by middle and lower level managers.

The different types of plans or common plans formed by the managers at different levels are:

Objectives

Strategy – Programmes

Rules & Policies – Methods

Procedures – Budgets

1. Objectives

Objectives are the ends towards which the activities are directed. They are the end result of every activity.
An objective:

(a)Should be related to single activity;

(b) Should be related to result and not to activity to be performed;

(c) It should be measurable or must be measured in quantitative term;

(d) It must have a time limit for achievement of objective;

(e) It must be achievable or feasible.

2. Strategy

A strategy is a comprehensive plan to achieve the organizational objectives.

The dimensions of strategy are:

(i) Determining long term objectives.
(ii) Adopting a particular course of action.
(iii) Allocating resources for achieving the objectives.

Strategy formulation is the task of top level people and it is must to scan and understand clearly the business environment before framing the strategy. The common decisions in strategy are whether to introduce a new product or not. If to introduce then how, finding out customer for your products making changes in existing products etc. All the strategic decisions are greatly influenced by the business environment. Strategy defines the future decisions regarding the organization's direction and scope in the long run.

3.Policies:

Policy can be defined as organization's general response to a particular problem or situation. In simple words, it is the organization's own way of handling the problems. Policies are made at every level because the managers at every level need to decide or predetermine the way of handling a situation and policy acts as a guide to take decisions in unexpected situation.

Policy formation always encourages initiatives of employees because employees have to deal with situations and the way of handling the situation is decided in consultation with the employees. Then they will be able to handle the situation in a much better way.

4. Procedures:

Procedures are required steps established in advance to handle future conditions. The sequence of steps to be followed by employees in different situations must be predetermined so that everyone follows same steps.
The procedure can be defined as the exact manner in which an activity has to be accomplished.

Procedures are made common for all the departments to co-ordinate their activities. So procedures cut across all the departmental lines.

5. Rules:

Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules, i.e., they must be followed strictly and if rules are not followed then strict actions can be taken against employees who are disobeying the rules. Rules are spelt out to create the environment of discipline in the organization.

6. Programmes:

Programmes are the combination of goals, policies, procedures and rules. All these plans together form a program. The programmes are made to get a systematic working in the organisation. The programmes create relation between policies, procedures and goals. The programmes are also prepared at different levels. A primary programme is prepared by the top level and then to support the primary programme supportive programmes of different levels are prepared for smooth function of the company.

7. Methods:

Methods can be defined as formalized or systematic way of doing routine or repetitive jobs. The managers decide in advance the common way of doing a job.

So, that

(a) There is no doubt in the minds of employees;

(b) There can be uniformity in actions of the employees;

(c) These help in applying the techniques of standardization and simplification;

(d) Act as guide for employees.

If the common way of doing the job is not decided in advance then there will be confusion and comparison will not be possible. For example, for the valuation of stock, the organisation must decide in advance what method has to be adopted (lifo or fifo). So that everyone follows the same method and comparison with the past value of stock can be done, method for calculation of depreciation.

8. Budget:

Budget is the statement of expected result expressed in numerical terms. In budgets the results are always measurable and most of the time these are financial in nature but it does not mean that company prepares only financial budget. Financial budget is also known as profit plan of the company because it includes the expected income and related expenditures with that income and the profit which the company will earn in the coming year.

Along with financial budget, capital budget is prepared to find out the expected capital requirement. Operational budget is prepared where instead of finance hourly units are used stating expected hours the employees will be working. Budgets are prepared by managers at every level and lower level managers generally prepare operational budgets.

The most common budget prepared by managers at different levels is cash budget. This budget estimates the expected cash inflow and cash outflow over a period of time. Cash inflow comes from sales and cash outflow is in the form of expenses. Businessmen can find out net cash position by subtracting cash outflow from cash inflow.


Thank
You!