

Chapter 4

PLANNING

Unit Structure

- 4.0 Objective
- 4.1 Introduction
- 4.2 Definition and Nature of Planning
- 4.3 Planning Process
- 4.4 Planning premises
- 4.5 Types of plan
- 4.6 Limitations of planning
- 4.7 Summary
- 4.8 Exercise

4.0 OBJECTIVES

After studying the unit the students will be able to:

- Discuss the concept of planning
- Explain the planning process and its limitations.
- Understand the characteristics of planning.
- Know the types of plan.
- Discuss the limitations of Planning.

4.1 INTRODUCTION

Planning is a primary function of management. Management process starts with planning of activities. Planning provides directions for activities. Planning is a continuous activity. It involves answering various

questions like why the action is taken, when it would be taken, how it would be taken, who would take it and so on.

4.2 DEFINITION AND NATURE OF PLANNING

4.2.1 DEFINITIONS

1. Koontz and O'Donnell defines planning as, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."
2. In the words of George R. Terry, "Planning is a method or a technique of looking ahead a constructive reviewing of future needs so that present actions can be adjusted in view of the established goals."

4.2.2 CHARACTERSTICS OF PLANNING:

Following are the important characteristics of planning:

1. Planning is primary function:

Management process starts with planning. So planning is a primary function of management. Other functions of management i.e. organizing, directing, and controlling are dependent on planning.

2. Planning is result oriented:

Every plan is framed to achieve certain well defined objectives. Planning is done to achieve goals. First targets are set and then planning is done.

3. Planning is future oriented:

Planning is always done for the future. The future can be short term, medium term or long term. It is a programme for future by which management tries to look ahead.

4. Planning is a continuous activity:

Planning is a continuous function of management. Managers are required to formulate, modify and withdraw the plans according to business environmental changes. Planning is necessary as long as the business remains in existence.

5. Planning is pervasive:

Planning is pervasive in nature. It is required for all the business activities and by all the managers at all the levels. Planning is required not only in business organizations but also in non-business organizations.

5. Inter-dependent activity:

Planning is inter-dependent activity. One departmental plans are dependent on other departmental plans. Every plan is linked with other plans.

7. Intellectual process:

Planning requires imagination, intelligence, talent, vision etc. on part of managers. Planning is based on practical considerations. Proper thinking is required before finalizing a plan. The quality of plan depends upon mental qualities of managers.

8. Planning requires past, present and future analysis:

Planning requires proper analysis of past, present and future. Managers need to check past performance, present targets and future possibilities while planning.

9. Basis of control:

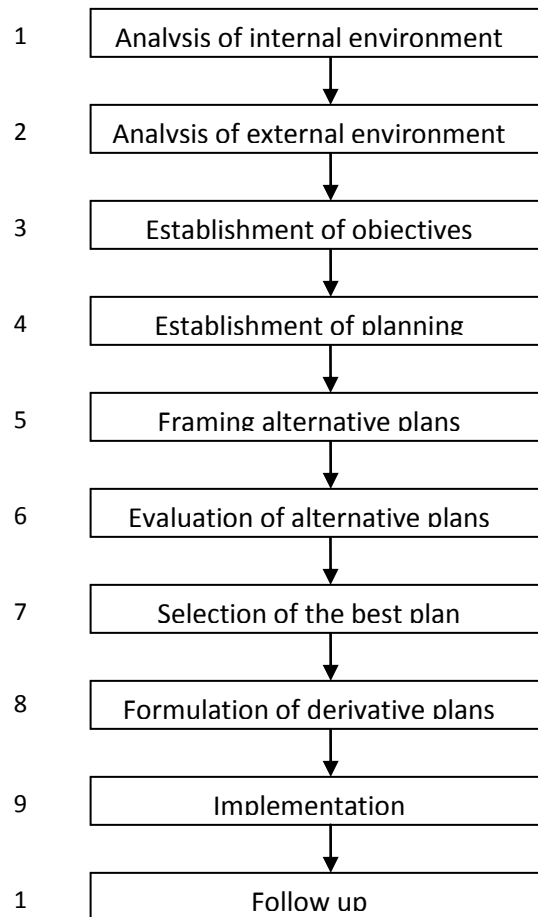
Planning provides base for control. The actual performance is compared against planned targets. Plans provide basis for comparison of actual and standard performance.

10. Flexible in nature:

Planning is always flexible. It keeps on changing as per situation changes. As business environment is dynamic in nature, planning needs to be flexible in nature. Plans should match with environmental changes.

4.3 PLANNING PROCESS

Following steps are involved in the planning process:



The stages of planning process are explained as follows:

1. Analysis of internal environment:

Planning process starts with analysis of internal environment. Internal environment includes all the variables from the organization like manpower, plans and policies of top management, machines, materials etc. Planner needs to study these variables properly to find out strengths and weaknesses of the organization.

2. Analysis of external environment:

After the analysis of internal environment, planner needs to study factors from external environment. External environment includes all those factors which are outside the organization like government policies, competition, international factors, technological changes, consumer behavior etc. This analysis is required to find out possible threats and opportunities for the organization.

3. Establishment of objectives:

After the analysis of environment is over, planner should establish the objectives to be achieved. Objectives should be well defined to provide guidelines for planning. Objectives should be SMART ie specific, measurable, achievable, realistic and time bound.

4. Establishment of planning premises:

Planning premises are the assumptions which provide a framework within which plans operate. Appropriate assumptions have to be made regarding internal and external environment.

5. Framing alternative plans:

Planner should always frame alternative plans instead of only one final plan. For eg.: To improve product quality, planner can make alternative plans such as,

- i) Purchase of better quality raw material
- ii) Installation of advanced technology
- iii) Training to workers etc.

5. Evaluation of alternative plans:

All the alternative plans should be evaluated by the planner. Evaluation should be in terms of cost and returns possible from that particular plan.

7. Selection of the best plan:

Once the plans are evaluated, planner should select the best plan out of all the alternatives. The plan which gives maximum returns at minimum cost should be selected as the best plan.

8. Formulation of derivative plans:

Derivative plans are sub-plans which are required for operational purpose. For implementation of the final plan derivative plans are

required. Programmes, policies, schedules, budgets etc. are examples of derivative plans.

9. Implementation:

With the help of derivative plans prepared, final plan should be implemented. Plan should be communicated to all those people in the organization who are required to implement them.

10. Follow up:

Periodic follow up is required to find out whether the actual performance is matching with planned targets. If necessary certain changes can be done in that plan.

4.4 PLANNING PREMISES

A premise is an idea that one accepts as true and use it as a base for developing other idea. Planning premises thus are certain ideas or assumptions which one makes while preparing a plan. For example, if marketing planning has to be done for next year then certain assumptions have to be made like finished goods supply will be normal, the demand is likely to be more or less, the cost of selling and distribution would increase marginally and so on.

While deciding the planning premises, one has to be very careful that these premises are realistic in nature. It should be more practical so that the plans can be made more effective.

Planning premises may be classified in various ways:

1. Planning premises exist both within and outside the company i.e. internal and external premises.
2. Planning premises may be divided into tangible and intangible ones.
3. Planning premises may be fully controllable, partly controllable or absolutely uncontrollable.
4. Planning premises may be constant or variable in nature.

CHECK YOUR PROGRESS:

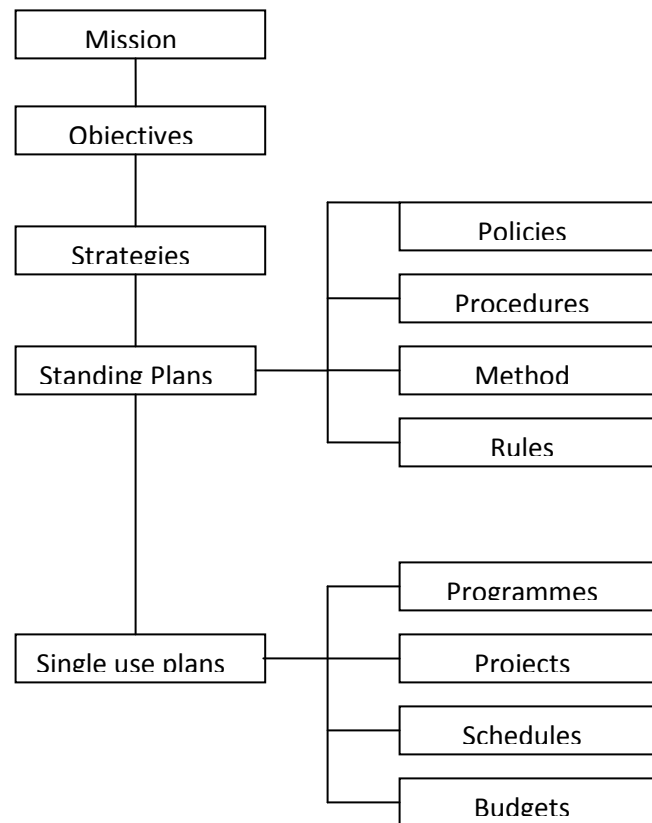
1. Define the following terms:
 - a. Internal environment
 - b. External environment
 - c. Planning premises
2. Write a note on planning premises.
3. Draw the chart showing stages of planning process.
4. "Planning involves answering various questions like why the action is taken, when it would be taken, how it would be taken, who would take it etc." Discuss.

4.5 TYPES OF PLAN

Several plans are prepared while making a plan. These all plans are classified as follows:

- I) **Standing plans:** These plans are prepared for repeat use. They are used again and again. Therefore they are referred as repeat use plans.
- II) **Single use plans:** These plans are prepared to achieve specific objectives. These are used only once. Once the purpose is served, plan becomes obsolete.

Various components of plan can be explained with the help of following chart:



1. Mission:

Every organization should have mission. Mission is the statement which reflects purpose, philosophy and vision of the organization. Mission guides the overall working of the enterprise.

2. Objectives:

Objectives are the goals or targets what management wants to achieve. Objectives are drawn from mission. These are ends towards which all the actions are directed.

3. Strategies:

Strategy is a broad long term plan. It provides guideline for achieving the objectives of the organization.

4. Policies:

Policy is considered as guideline for action. Policies provide a framework within which the organization has to operate. It defines boundaries for decision making.

5. Procedures:

Procedure is a series of activities required to be performed for attaining objectives. It is the sequence of works to be done.

6. Methods:

Method describes the way of performing particular work. By following a proper method, procedure is completed.

7. Rules:

Rules lay down specific actions to be done. It describes what is to be done and what should not be done.

8. Programme:

Programme is a plan which is designed to implement the policies and accomplish objectives. It is a combination of goals, policies, procedures, rules to carry out activities.

9. Projects:

Projects are the plans which are required to complete complex and special work. It requires expert knowledge from various departments.

10. Schedules:

A schedule is a time table for activities. It defines start time and completion time of each and every activity. It ensures completion of work on time.

11. Budgets:

Budgets express the anticipated results in numerical terms. It is mainly used for controlling the actual performance of activities.

CHECK YOUR PROGRESS:

1. Define the following terms:
 - a. Standing plan
 - b. Single use plan
 - c. Mission
 - d. Strategy
2. Draw the chart showing components of plan.

4.6 LIMITATIONS OF PLANNING

The limitations of planning can be explained as follows:

1. Time consuming:

Planning needs collection of data of past, present and future of the organization. It requires consultation and discussion with other people in the organization. It requires approval for higher authority. Therefore planning is a time consuming process.

2. Paper work:

Lot of paper work is involved in planning function. Paper work is more due to reports making, taking approvals, alternative plans etc.

3. Costly affair:

A good amount of money is required to be spent for collecting and analyzing the data. So the companies who cannot offered such expenses avoid planning.

4. Possibility of under-targeting:

Sometimes managers may under-target while planning. This is because, they may think that they can achieve targets easily can get appreciation. This happens mostly in public sector organizations.

5. Possibility of over-targeting:

Sometimes managers may target at higher level. This may be due to wrong collection and interpretation of data.

6. Generates frustration:

If the managers are not able to achieve the planned targets in spite of best efforts, it may lead to frustration.

7. Possibility of human error:

Plans require judgment and intelligence on the part of the managers. But if managers have done wrong judgment about future, then it may lead to wrong targeting.

8. Problem of changing situations:

Business environment is not constant. Changes are always taking place and plans need to adjust with these changes. But every time it may not be possible to adjust with every change.

9. Inter-departmental conflicts:

Planning requires co-ordination between all the departmental managers. But it is possible that, these managers may have conflicts due to which plan may not give expected results.

10. Generates rigidity:

While carrying on actual performance, managers always focus only on planned targets. It may be possible that, sometimes higher performance may be possible. But managers tend to achieve only what has been planned.

4.7 SUMMARY

From the above discussion the concept of planning is very much clear. According to the requirement and situations in the organization various types of plans can be made and implemented. We understood that planning is a primary function of the management and therefore it has to be carried on carefully. Before starting with planning function planning premises have to be analyzed and fixed. Well planned activities of the organizations bring definite success but at the same time one has to remember that planning also has got certain limitations.

4.8 EXCERICSE

1. Define planning. Explain the nature and characteristics of planning.
2. Explain the steps involved in planning process.
3. Enumerate the types of plans.
4. State and explain the limitations of planning.
5. Write a note on planning premises.
6. State and explain the various steps involved in process of planning.

