

# Principles of Management

Unit 2

Lecture 1

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# Planning & Types of Plans



# LEARNING OUTLINE

*Follow this Learning Outline as you read and study this chapter.*

## **What Is Planning?**

- **Define planning.**
- **Types (Levels) of Planning**
- **Strategic Planning**
- **Intermediate Planning**
- **Operational Planning**
- **Planning Process/ Procedure**
- **Barriers to Effective Planning**
- **Planning Premises**
- **Forecasting**
- **Key to Planning**

# What Is Planning?

- Planning
  - Planning is the primary function of management.
  - It focuses on the future course of action.
  - A primary managerial activity that specifies the objectives to be achieved in future and selects the alternative course of action to reach defined objectives. Thus, it involves:
    - Defining the organization's goals
    - Establishing an overall strategy for achieving those goals
    - Developing plans for organizational work activities.

# What Is Planning?

- *“Determination of future course of actions in advance”*
- *It is the blue print of action and operation.*
- *Planning is intellectual process which is concerned with deciding in advance what, when, why, how, and who shall do the work.*

# Definitions:

- *“Generally speaking, planning is deciding in advance what is to be done”*

-W H Newman

- *“Planning is deciding in advance what to do, how to do, when to do and who is to do it. Planning bridges a gap between from where we are to where we want to go”*

-Harold, Koontz and O'Donnel

- *“Planning is that function of manager in which he decides in advance what he will do. It is a decision making process of a special kind, its essence is futurity.”*

-Hayness and Massie

# Why Do Managers Plan?

- Purposes of Planning
  - Provides direction
  - Reduces uncertainty
  - Minimizes waste and redundancy
  - Sets the standards for controlling
- Benefits of planning
  - Goal Focus
  - Minimize Uncertainty
  - Improve efficiency
  - Facilitates to Control
  - Innovation and Creativity
  - Better Coordination
  - Ensures Commitment
  - Aid to Business Success
  - Brings Systematization



# How Do Managers Plan?

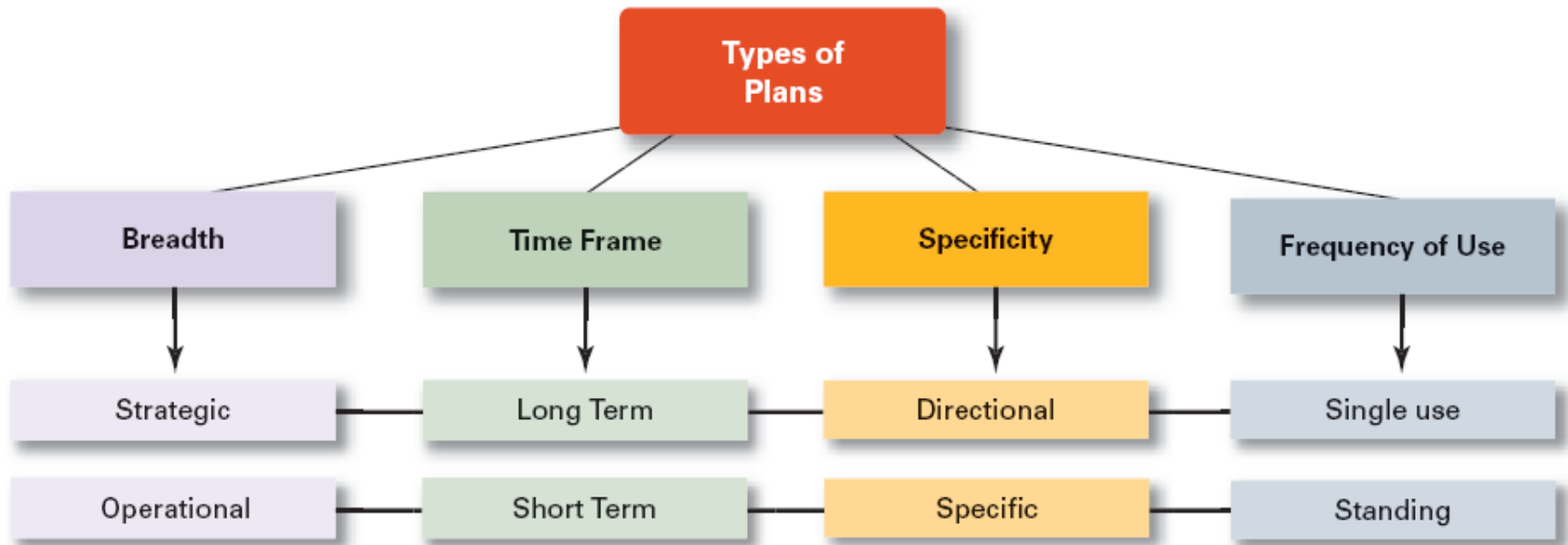
- Elements of Planning
  - Goals (also Objectives)
    - Desired outcomes for individuals, groups, or entire organizations
    - Provide direction and evaluation performance criteria
  - Plans
    - Documents that outline how goals are to be accomplished
    - Describe how resources are to be allocated and establish activity schedules



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## Types of Plans

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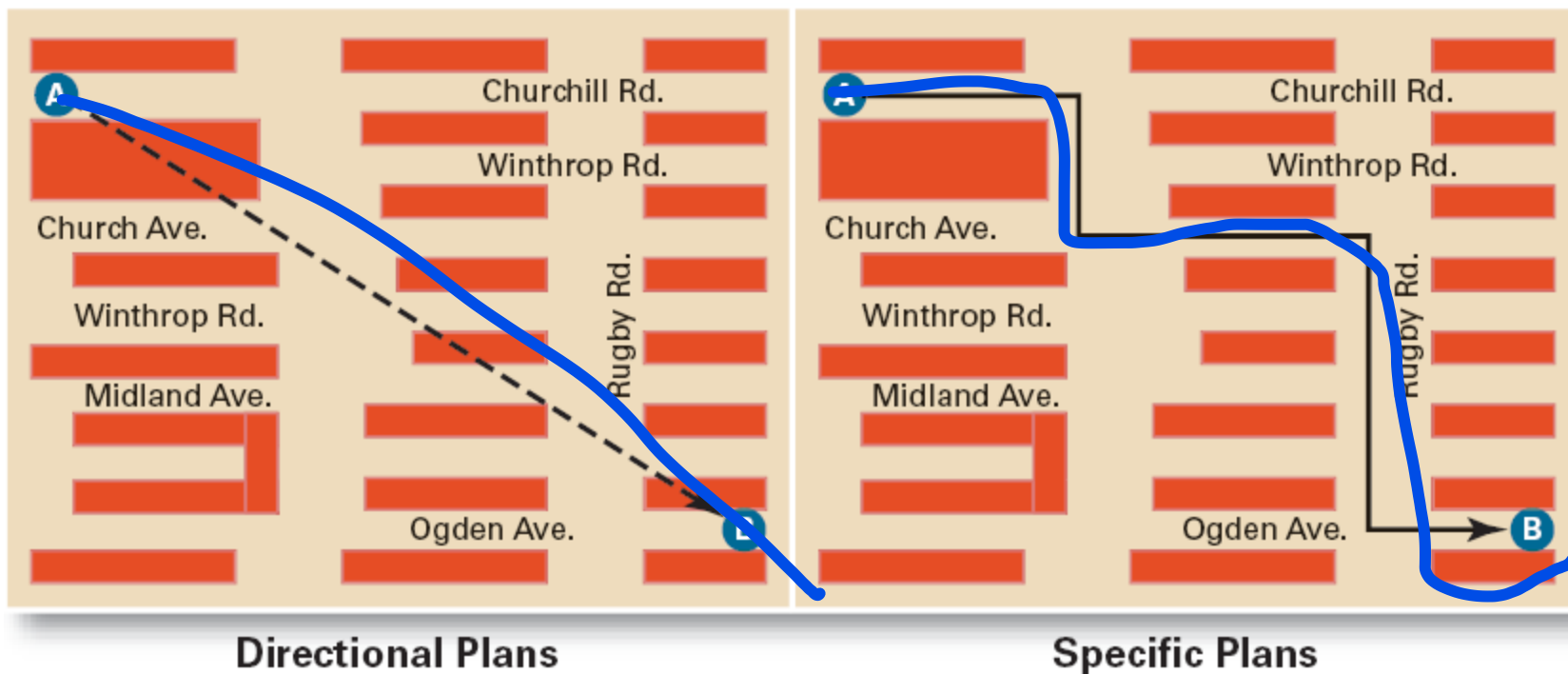
# Types of Plans

- Strategic Plans
  - Apply to the entire organization.
  - Establish the organization's overall goals.
  - Seek to position the organization in terms of its environment.
  - Cover extended periods of time.
- Operational Plans
  - Specify the details of how the overall goals are to be achieved.
  - Cover short time period.

# Types of Plans (cont'd)

- Long-Term Plans
  - Plans with time frames extending beyond three years
- Short-Term Plans
  - Plans with time frames on one year or less
- Specific Plans
  - Plans that are clearly defined and leave no room for interpretation
- Directional Plans
  - Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

## Specific Versus Directional Plans



# Types of Plans (cont'd)

- Single-Use Plan
  - A one-time plan specifically designed to meet the need of a unique situation.
- Standing Plans
  - Ongoing plans that provide guidance for activities performed repeatedly.

# Establishing Goals and Developing Plans

- Traditional Goal Setting
  - Broad goals are set at the top of the organization.
  - Goals are then broken into sub-goals for each organizational level.
  - Assumes that top management knows best because they can see the “big picture.”
  - Goals are intended to direct, guide, and constrain from above.
  - Goals lose clarity and focus as lower-level managers attempt to interpret and define the goals for their areas of responsibility.

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## The Downside of Traditional Goal Setting

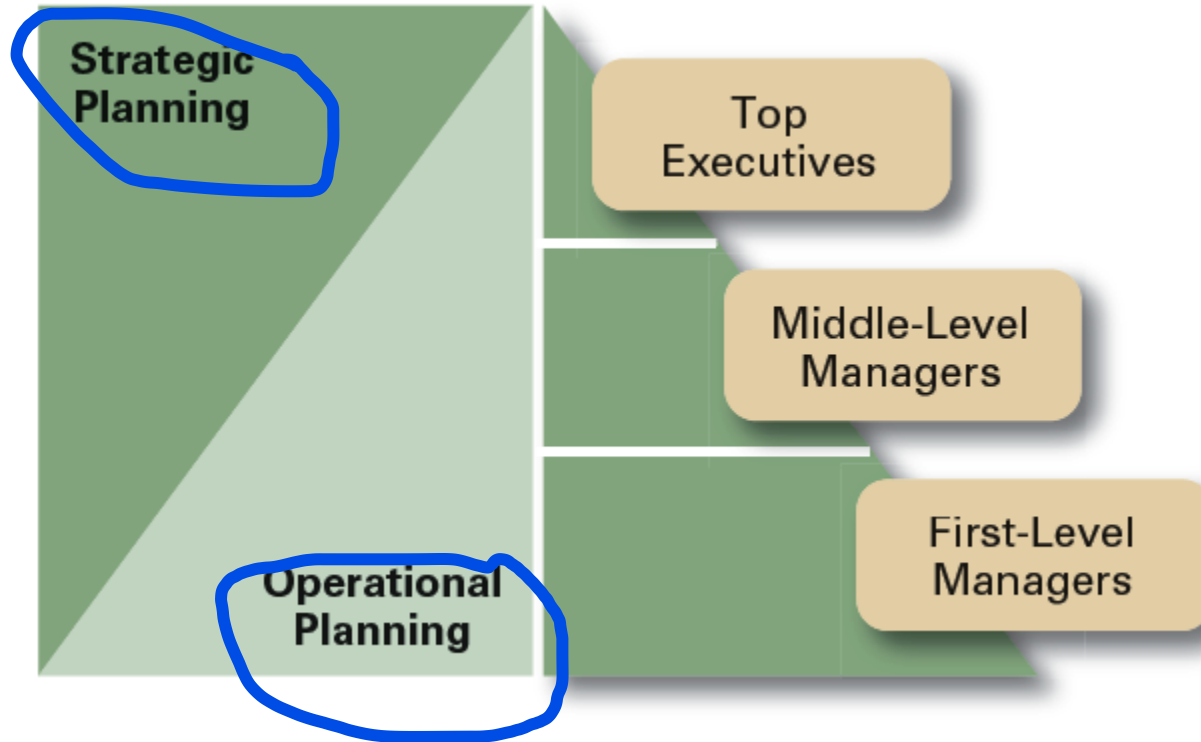
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## Planning in the Hierarchy of Organizations

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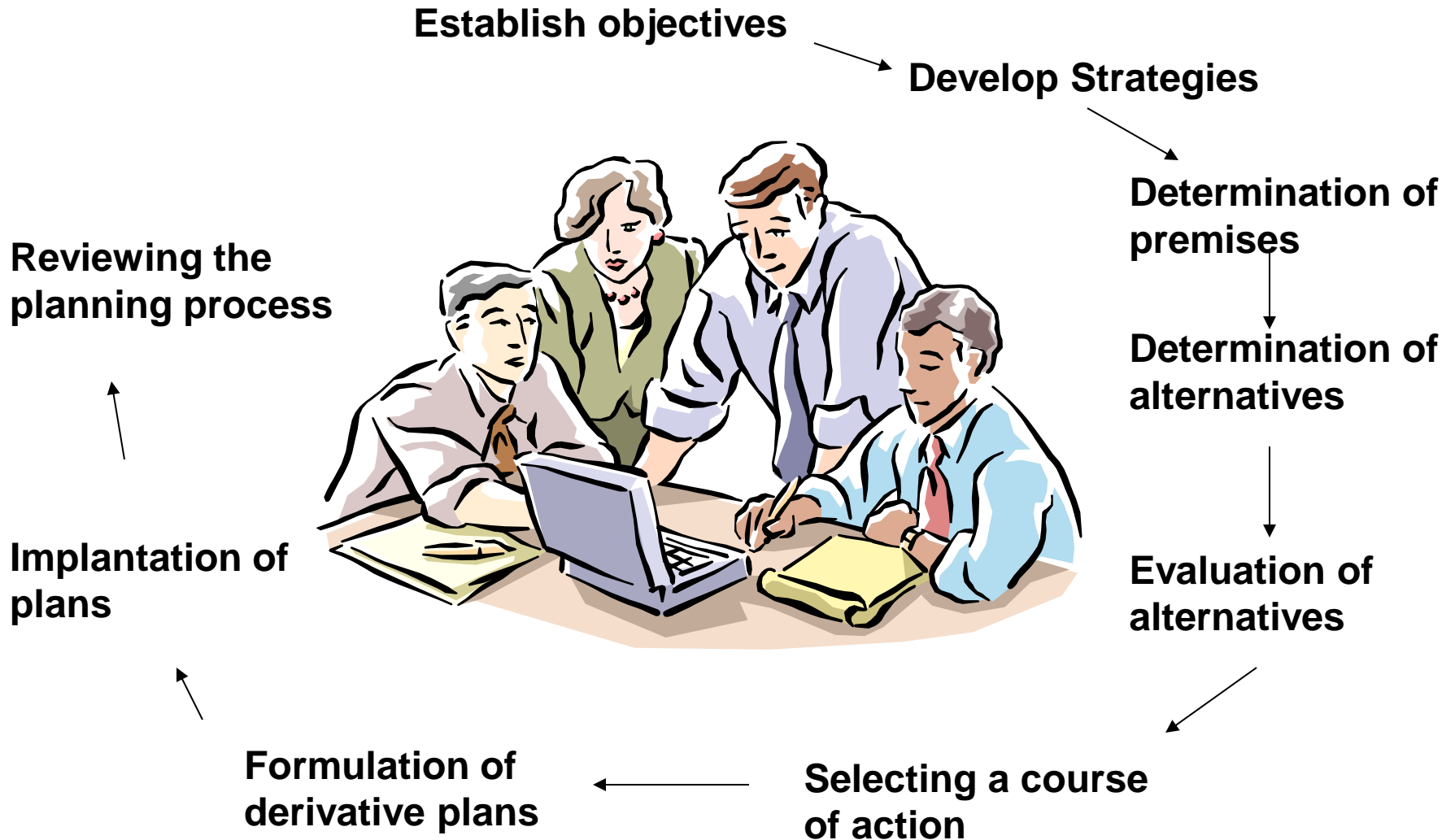


# Contemporary Issues in Planning

- Criticisms of Planning
  - Planning may create rigidity.
  - Plans cannot be developed for dynamic environments.
  - Formal plans cannot replace intuition and creativity.
  - Planning focuses managers' attention on today's competition not tomorrow's survival.
  - Formal planning reinforces today's success, which may lead to tomorrow's failure.

# Planning Process:

## How does a manager Plan?



# Analyze Opportunities

- Not a step of Planning, It is pre-step of planning.
- Essential to make a successful plan.
- SWOT analysis



## Setting objectives

- First and real starting point of planning.
- Management has to define objectives in clear manner by considering organizational resources and opportunities because a minor mistake in setting objectives might affect in implementation of plan.
- Objectives must be specific, clear and practical.
- They should be time bound and expressed in numerical terms.

# Determination of premises

- **Premises are the assumptions about the future in which the planning is implemented.**
- They provide environment and boundaries for the implementation of plan in practical operation.
- These premises may be tangible and intangible and external.
  - (a) **Tangible and intangible:** Tangible premises involve capital investment, unit of production, units sold, cost per unit, time available etc. Similarly, intangible premises involve employees moral, goodwill, motivation, managerial attitude, etc.
  - (b) **Internal and external:** Internal premises involve money, materials, machines and managements. In the similar manner, external factors involve competitors strategy, technological change, government policy, social and cultural beliefs etc.

# Determination of alternatives

- It is essential to identify all the possible hidden alternatives. The information about alternative courses of action may be obtained from primary and secondary sources. There must be search for the best alternative. The management must develop alternatives through the support of experienced and intellectual experts in management sectors.

# Evaluation of alternatives (CPM)

- Evaluate the alternatives from their expected cost and benefits. This is the logical step to evaluate each alternative from its plus and minus points.
- Each alternative is studied and evaluated in terms of some common factors such as risk, responsibility, planning premises, resources, technology etc.

## Selecting a course of action

# Formulation of derivative plans:

- It is essential to formulate action or derivative plans for each step of work and to all departments of the organization. These action plans involve formulation of policies, rules, schedule and budget to complete defined objectives. Thus, formulation of derivative plans is an essential step in planning process. It is difficult to implement main plan without formulation of derivative plan.

# Implantation of plans

- Without this step, other this procedure of plan will remain as paper work.
- This step brings all the procedure of plan into action.
- For implementation plan, management has to take some steps such as to communicate with subordinates who initiate to plan into action; provide necessary instruction and guidance; make arrangement of all resources like materials, machines, money, equipments etc; make timely supervision and control over subordinates.

## Reviewing the planning process



# Terms to Know

- Planning
- Goals
- Plans
- Stated goals
- Real goals
- Framing
- Strategic plans
- Operational plans
- Long-term plans
- Short-term plans
- Specific plans
- Directional plans
- Single-use plan
- Standing plans
- Traditional goal setting
- Means-ends chain
- Mission
- Formal planning department