Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning is closely connected with creativity and innovation. But the manager would first have to set objectives, only then will a manager know where he has to go. Planning seeks to bridge the gap between where we are and where we want to go. Planning is what managers at all levels do. It requires taking decisions since it involves making a choice from alternative courses of action.

Planning, thus, involves setting objectives and developing appropriate courses of action to achieve these objectives. Objectives provide direction for all managerial decisions and actions. One of the ways to do so would be to 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 among the various courses of action available. You must have seen in films and advertisements how executives draw up plans and make powerful presentations in boardrooms. Do those plans actually work? Does it improve efficiency? After all why should we plan? These are numerous questions to which we would like to find solutions. Planning is certainly important as it tells us where to go, it provides direction and reduces the risk of uncertainty by preparing forecasts. The major benefits of planning are given below:

a. **Planning provides directions**: By stating in advance how work is to be done planning provides direction for action. Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. Departments and individuals in the organisation are able to work in coordination. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.
b. **Planning reduces the risks of uncertainty**: Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed.
c. **Planning reduces overlapping and wasteful activities**: Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated. It is easier to detect inefficiencies and take corrective measures to deal with them.
d. **Planning promotes innovative ideas**: Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.
e. **Planning facilitates decision making**: Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.

f. **Planning establishes standards for controlling**: Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling. Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. Therefore, we can say that planning is a prerequisite for controlling. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. The nature of corrective action required depends upon the extent of deviations from the standard. Therefore, planning provides the basis of control.

Features of Planning

The planning function of the management has certain special features. These features throw light on its nature and scope.

a. **Planning focuses on achieving objectives**: Organisations are set up with a general purpose in view. Specific goals are set out in the plans along with the activities to be undertaken to achieve the goals. Thus, planning is purposeful. Planning has no meaning unless it contributes to the achievement of predetermined organizational goals.
b. **Planning is a primary function of management**: Planning lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is also referred to as the primacy of planning. The various functions of management are interrelated and equally important. However, planning provides the basis of all other functions.
c. **Planning is pervasive**: Planning is required at all levels of management as well as in all departments of the organisation. It is not an exclusive function of top management nor of any particular department. But the scope of planning differs at different levels and among different departments. For example, the top management undertakes planning for the organisation as a whole. Middle management does the departmental planning. At the lowest level, day-to-day operational planning is done by supervisors.
d. **Planning is continuous**: Plans are prepared for a specific period of time, may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process. Continuity of planning is related with the planning cycle. It means that a plan is framed, it is implemented, and is followed by another plan, and so on.
e. **Planning is futuristic**: Planning essentially involves looking ahead and preparing for the future. The purpose of planning is to meet future events effectively to the best advantage of an organisation. It implies peeping into the future, analysing it and predicting it. Planning is, therefore, regarded as a forward looking function based on forecasting. Through forecasting, future events and conditions are anticipated and plans are drawn accordingly.
f. **Planning involves decision making**: Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal or a possible course of action,

there is no need for planning because there is no choice. The need for planning arises only when alternatives are available. In actual practice, planning presupposes the existence of alternatives. Planning, thus, involves thorough examination and evaluation of each alternative and choosing the most appropriate one.

g. **Planning is a mental exercise**: Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken. However, planning requires logical and systematic thinking rather than guess work or wishful thinking. In other words, thinking for planning must be orderly and based on the analysis of facts and forecasts.

Levels of Planning

Strategic Plan: Strategic plans are those plans which is associated with the vision, mission and objectives of the organization. This is long term in nature and views organization in totality. Strategic planning may range 5 years or more. It is concerned about how to utilize the available resources and achieve the long term goals and objectives. Such plans are formulated by top level managerial positions.

Tactical Plan: Tactical plans are formulated by middle level management positions and are assistful for achieving the objectives of strategic plans as well. It is consistent with corporate plan. In other words, it is the sub-division of corporate plan to implement in practical field. Tactical plans play a mediator role between corporate and operational plans.

Operational Plan: Operational plans are the plans which are associated with the day to day activities of the organizations. Such plans may range from day to day plans to the maximum duration of one year and are formulated by lower level managerial positions employees. Such plans are consistent with tactical plans.

Planning Process /Steps

a. **Analyze opportunities:** To identify and search the alternatives and perform detail study of the available alternative is the first step of planning process. In course of analyzing opportunities, internal environment and external environment analysis both are important. The management has to be alert on identifying strength and weaknesses from the internal environment and opportunities and threats from the external environment. Physical resources, human resources, materials, availability to adequate extent is the strength for the organization whereas their scarcity is weakness. Similarly, Political, Economic, socio cultural and technological environment pose opportunities and threats and are inherent in the external environment.

b. **Setting goals:** Setting goals is the next important stage of planning. The goals set by the organization should be specific, measurable, achievable, realistic and time bound (SMART). A minor mistake on formulation of goals may lead the planning and implementation of plans to perform various activities to chaos.

c. **Determination of premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts, therefore become essential for successful plans

d. **Identifying alternative courses of action**: Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

e. **Evaluating alternative courses**: The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.

f. **Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgement and at times, intuition play an important part in selecting the most viable alternative. Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action.

g. **Implementing the plan**: This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action, i.e., doing what is required. For example, if there is a plan to increase production then more labour, more machinery will be required. This step would also involve organising for labour and purchase of machinery.

h. **Follow-up action**: To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.

Tools For Planning

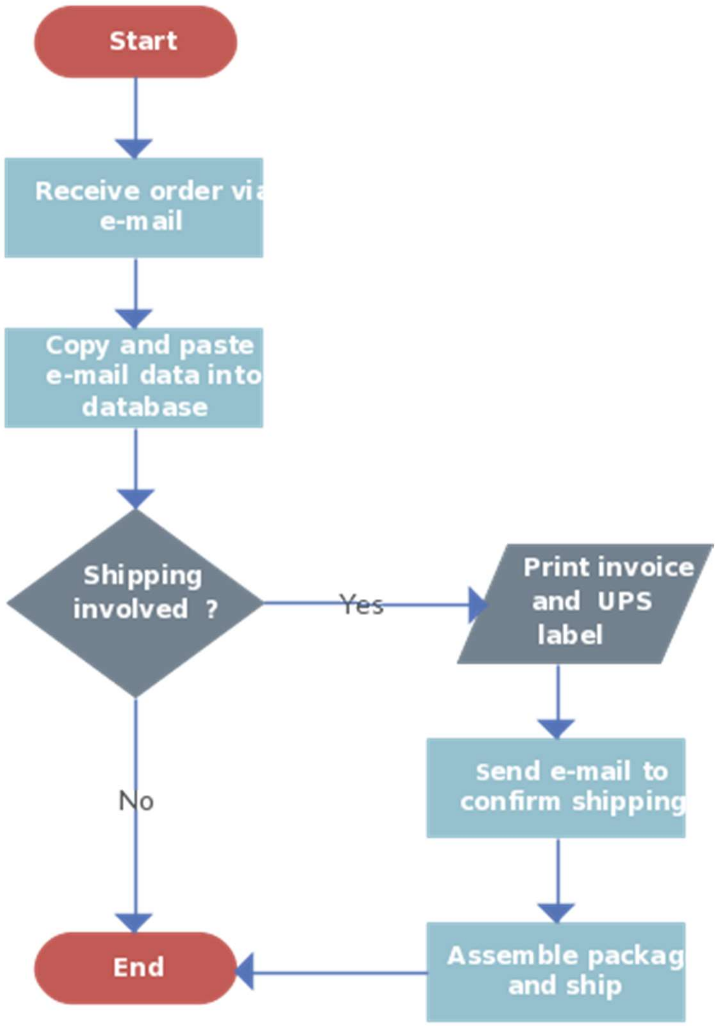
a. **Forecasting:** A planning tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.
   Forecasting starts with certain assumptions based on the management's experience, knowledge, and judgment. These estimates are projected into the coming months or years using one or more techniques such as Delphi method, , moving averages, regression analysis, and trend projection. Since any error in the assumptions will result in a similar or magnified error in forecasting, the technique of sensitivity analysis is used which assigns a range of values to the uncertain factors (variables).

b. **Network technique:** Network technique is a technique for planning, scheduling (programming) and controlling the progress of projects. This is very useful for projects which are complex in nature or where activities are subject to considerable degree of uncertainty in performance time. This technique provides an effective management, determines the project duration more accurately, identifies the activities which are critical at different stages of project completion to enable to pay more attention on these activities, analyse the scheduling at regular interval for taking corrective action well in advance, facilitates in optimistic resources utilisation, helps management for taking timely and better decisions for effective monitoring and control during execution of the project.

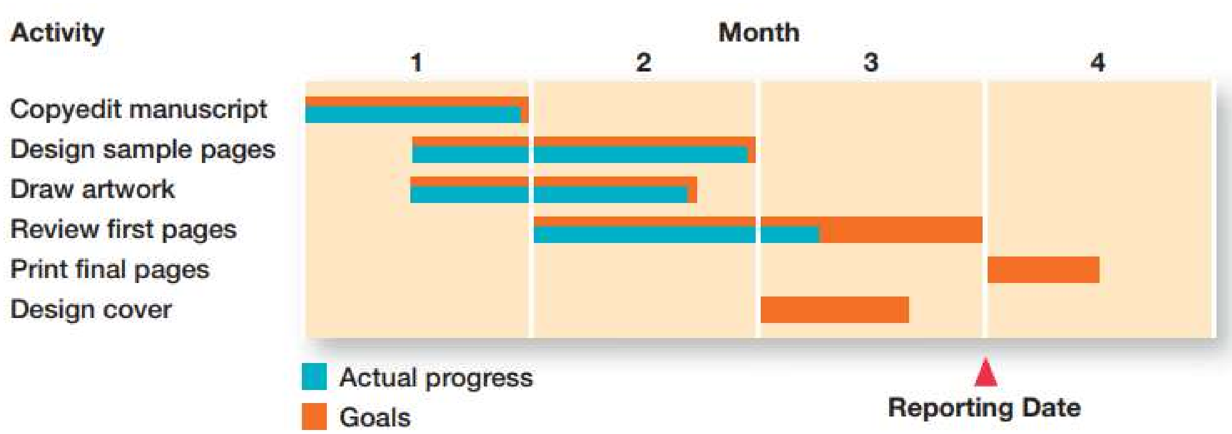
c. **Flow chart:** Flowcharts can be used to display a stage by stage progression. They effectively show a sequence of events, with the completion of one stage leading to the beginning of another. The only downside of using a flowchart for project planning is that you cannot add a time interval for each stage.
   Flowcharts of a project plan must show:
   -A clear beginning
   -Clearly labeled stages represented by rectangular boxes
   -Diamond shaped boxes for decisions/quality checks

-A clearly defined end

The arrows show the direction of flow. In case of a decision, the yes and no arrows must clearly indicate how to tackle different possible outcomes. Using, a simple flowchart for a small project can easily be made



GANTT CHARTS: The Gantt chart was developed during the early 1900s by Henry Gantt, an associate of Frederick Taylor, the scientific management expert. The idea behind a Gantt chart is simple. It's essentially a bar graph with time on the horizontal axis and the activities to be scheduled on the vertical axis. The bars show output, both planned and actual, over a period of time. The Gantt chart visually shows when tasks are supposed to be done and compares those projections with the actual progress on each task. It's a simple but important device that lets managers detail easily what has yet to be done to complete a job or project and to assess whether an activity is ahead of, behind, or on schedule



Breakeven Analysis

Breakeven analysis is a widely used resource allocation technique to help managers determine breakeven point.26 breakeven analysis is a simple calculation, yet it's valuable to managers because it points out the relationship between revenues, costs, and profits. To compute breakeven point (BE), a manager needs to know the unit price of the product being sold (P), the variable cost per unit (VC), and total fixed costs (TFC). An organization breaks even when its total revenue is just enough to equal its total costs. But total cost has two parts: fixed and variable. Fixed costs are expenses that do not change regardless of volume. Examples include insurance premiums, rent, and property taxes.

Variable costschange in proportion to output and include raw materials, labor costs, and energy costs. Breakeven point can be computed graphically or by using the following formula:

This formula tells us that (1) total revenue will equal total cost when we sell enough units at a price that covers all variable unit costs, and (2) the difference between price and variable costs, when multiplied by the number of units sold, equals the fixed costs. Let's work through an example. Assume that Randy's Photocopying Service charges $0.10 per photocopy. If fixed costs are $27,000 a year and variable costs are $0.04 per copy, Randy can compute his breakeven point as follows: $27,000 ÷ ($0.10 – $0.04) = 450,000 copies, or when annual revenues are

$45,000 (450,000 copies $0.10). This same relationship is shown graphically in Exhibit PM-10. As a planning tool, breakeven analysis could help Randy set his sales goal. For example, he could determine his profit goal and then calculate what sales level is needed to reach that goal. Breakeven analysis could also tell Randy how much volume has to increase to break even if he's currently operating at a loss or how much volume he can afford to lose and still break even.

$$\text{BE} = \frac{TFC}{P-VC}$$