

# UNIT 2: PLANNING:

## Planning: Meaning, Features, Importance and Limitations

### What is Planning?

Planning is a blueprint of the course of action to be followed in the future. It is also a mental exercise that requires imagination, foresight, and sound judgment. It is thinking before doing. It is a preparatory step and refers to detailed programs regarding the future course of action. Simply put, planning is the basic management function that involves forecasting, laying down objectives, analyzing the different courses of action, and deciding the best alternative to perform different managerial functions to achieve pre-determined goals. Thus, it is a continuous process that involves decision-making; i.e., deciding the course of action for framing and achieving objectives.

*"Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen." -Koontz and O'Donnell*

### Features of Planning

By analyzing the above meaning and definition, we can reveal the following features of planning:

**1. Planning Focuses on Achieving Objectives:** Planning is a goal-oriented work because its purpose is to achieve organizational objectives quickly and economically. These objectives are purposeful, as they provide basic guidelines for planning activities by identifying the actions which lead to desired results.

**2. Planning is a Primary Function of Management:** Planning is the primary function of management as it serves as a base for all other management functions because it provides the basic framework within which all other management functions are performed. We consider it to be a blueprint, as it provides the foundation for managerial actions.

**3. Planning is Pervasive:** It is pervasive as it is required at all levels of management and in all types of organizations. However, the scope of planning varies from one level to another, while supervisors at the lowest level formulate day-to-day operational programs and middle-level managers prepare departmental plans, and the top management plans for the organization as a whole.

**4. Planning is a Continuous Process:** Planning is an ongoing process. Plans are prepared for a specific period and at the end of that period, there is a need for a new plan based on the new situation. Since the future is uncertain, there are various assumptions about the future that may change. Therefore, the original plan may have to be revised in light of changing conditions.

**5. Planning is Futuristic:** Planning involves looking into the future, and it predicts the best advantage of an organization. Managers plan to manage future events to the best of their capacity. Planning also involves thinking about the future for doing in the present. It essentially involves scientific anticipation of future events; i.e., forecasting.

**6. Planning involves Decision-Making:** Planning is the process of making choices from various alternatives to achieve the specified objectives. The need for planning arises only when alternatives are available, and in actual practice, planning presupposes the existence of alternatives. Thus, decision-making is an integral part of planning, as it involves a choice from various alternative courses of action. But, if there is only one alternative, then there is no need for planning.

**7. Planning is a Mental Exercise:** Planning is an intellectual process that is related to thinking before doing involving imagination and creativity. It is an activity of thinking based on logical reasoning rather than guessing and doing work. The success of planning depends on the performance of a planner. So, a planner must have intelligent imagination and sound judgment capacity.

### **Importance of Planning:**

**1. Planning Provides Direction:** Planning is involved in deciding the future course of action. Fixing goals and objectives is the priority of any organization. By stating the objective in advance, planning provides unity of direction. Proper planning makes goals clear and specific. It helps the manager to focus on the purpose for which various activities are to be undertaken. It means planning reduces aimless activity and makes actions more meaningful.

**2. Planning Reduces the Risk of Uncertainty:** Every business enterprise has to operate in an uncertain [environment](#). Planning helps a firm to survive in this uncertain environment by eliminating unnecessary action. It also helps to anticipate the future, and prepare for the risk by making necessary provisions.

**3. Planning Reduces Overlapping and Wasteful Activity:** Plans are formulated after keeping in mind the objective of the organization. An effective plan integrates the activity of all the departments. In this way, planning reduces overlapping and wasteful activities.

**4. Planning Promotes [Creativity and Innovative](#) Ideas:** Planning encourages creativity, and helps the organization in various ways. Managers develop new ideas and apply the same to create [new products](#) and services leading to overall growth and expansion of the business. Therefore, it is rightly said that a good planning process will promote more individual participation

by throwing up various new ideas and encouraging managers to think differently.

**5. Planning Facilitates Decision-Making:** Decision-making means searching for various alternatives and selecting the best one. Planning helps the manager to look into the future, and choose among various alternative forces of action. Planning provides guidelines for sound and effective decision-making.

**6. Planning Establishes a Standard for [Controlling](#):** Planning lays down the standards against which actual performance can be evaluated and measured. Comparison between the actual performance and pre-determined standards help to point out the deviation, and take corrective actions to ensure that events confront plans. In case of any deviation, the management can take remedial measures to improve the results.

### **Limitations of Planning**

Following are the limitations of planning:

**1. Rigidity:** Planning brings rigidity to work as employees are required to strictly follow pre-determined policies. There is a tendency that by strictly following these predetermined policies, people become more concerned about complying with these plans rather than achieving the goals. Sometimes planning discourages individual initiative and creativity. It restricts their freedom and new opportunities are ignored.

**2. Planning may not Work in a Dynamic Environment:** Planning has to operate in an [external environment](#), such as government policies, technology, etc., which is beyond the control of the organization. In any situation, changes in the environment make the plan inoperative and ineffective. So planning does not provide a positive result when such changes are not accurately forecasted.

**3. Planning Reduces Creativity:** Planning involves the determination of policies and procedures in advance. Employees are required to strictly follow them, and deviations are considered to be highly undesirable. As a result, employees do not show their skills, and it reduces their initiative and creativity.

**4. Planning Involves Huge [Costs](#):** Planning is an expensive process because a lot of money is spent on gathering and analyzing information. It also involves the cost of experts, as experts are paid for planning. Efforts should be made to benefit from the analysis and ensure that benefits derived from planning should be more than their cost. If the cost of planning does not justify the benefit, then planning should be avoided.

**5. Planning is Time-Consuming:** It takes a lot of time in [collecting](#), analyzing, and interpreting information relevant to planning. This causes a delay in decision making. Therefore during crises and emergencies, which call for an immediate decision, planning does not work. Sometimes, advance planning may lead to a delay in actions making, which may result in the loss of profitable opportunities.

**6. Planning does not Guarantee Success:** Planning may create a false sense of security in the organization. Managers tend to adopt previously tested plans, but it is not necessary that a plan which has worked before will work again in this competitive environment. So, we cannot say that planning guarantees success.

**7. [Resistance to Change](#):** The employee becomes familiar with the method of doing work. So they resist change and do not want to adopt a new method of doing work. Such unwillingness may lead to the failure of the plan.

## Planning Process

1. **Setting up of organizational objectives:** The first and foremost objective of an organization establishes various objectives and goals that an organization strives to achieve. Objectives determine the various activities and direction of efforts. For an effective planning function, objectives need to be stated clearly and must be precise and unambiguous. Unclear and ambiguous objectives lead to chaos and wastages. Objectives set under the planning process can be for the entire organization, for each department, units and employees. It can be short term as well as long-term based on the organization's desire to achieve. Apart from objectives being clear, precise and unambiguous, they must be practical, feasible, and achievable and realistic. For example, for a manufacturing company, reducing production hour can be an objective that can be achieved to reduce processing timing at every step. For an objective to be clear and realistic it should be stated in quantitative terms, for example, the number of working hours, the percentage increase in sales or production, the wage is given to labours etc. Objectives stated in qualitative terms can be optimistic but not precise. And hence leads to confusion
2. **Developing planning premises:** Planning is about predicting the uncertain future to carry out the business activities. To forecast the future, certain assumptions about the future need to be made by the planning managers. These assumptions serve as the base to create a premise for developing a plan of action. This is called planning premises. These assumptions are made in the form of forecasts. Forecasting is a technique of gathering information for developing planning premises. In general business parlance, enterprises forecast the demand for a product, inflation

prediction, tax regime, interest rates, government interventions etc. Thus to develop an effective plan, accurate forecasting is essential. Where external forecasting is necessary and complex to be made, internal forecasting also plays a crucial role in the planning process. Internal forecasting such as trade relations, capital investment policy, and management philosophy significantly influences forecasting and thus planning process.

3. **Identification of alternative course of action:** as objectives setting and making of assumptions is done, various alternative courses of actions are identified to achieve those objectives. This step involves the identification of a maximum number of alternatives based on the type of project. An important project requires detailed and comprehensive identification of alternatives than the general one. A detailed statement of alternatives is presented amongst the members of the organization to be discussed about the selection of alternatives.
4. **Evaluating alternative course of action:** After identification of various alternative courses of actions, each action is examined in terms of their pros and cons. The positive and negative aspect of each course of actions is evaluated concerning the objectives of an organization. For the selection of course of action, the cost and benefits, feasibility, practicability is examined. For a financial plan of an organization, the risk-return of the project is taken into consideration. The plan with higher risk tends to have higher profit earning and is evaluated in terms of EPS, earnings, taxes, dividends and interests.

5. **Selection of alternative:** At this point, the final decision is taken. The best plan in terms of maximum benefits and the minimum cost is adopted for implementation. The plan chosen would be feasible, profitable, and tend to yield higher profits and the least cost. Various plans are selected after careful investigation and statistical calculation, but many a time subjectivity in terms of manager's experience, knowledge and judgment are considered in selecting the best alternative. When an organization look for long-term benefits and number of objectives, a combination of various plans may be selected.
6. **Implementation of the plan:** At this stage, various other managerial functions come into the picture as the best-selected plan is implemented. In this stage, the implementation of the action takes place i.e. doing what is required. For a production department, an objective is to increase production more than labour, then organization may implement a plan that involves more investments in machinery
7. **Follow-up of action:** this is the crucial stage as it involves seeing whether selected and implemented plan is working as per plans or not. This stage is essential and requires close monitoring to assess deviation in selection and implementation and to achieve desired objectives