

Planning

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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."

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

Planning Process

1. Setting-up of the objectives:

In planning function manager begins with setting up of objectives.

- Objectives or goals specify what the organisation wants to achieve its end result of activities.
- Objectives may be set for entire organisation, or for a department or a unit. Objectives serve as guide for overall business planning.
- Organisational objectives are generally set by top level management whereas departmental objectives are set up by middle level management. How all department needed contribute to organisation objective is the plan that needs to be drawn up.

2. Developing premises:

- Premises refer to making assumptions regarding future. Premises are the base on which plans are made.
- Assumptions are made in the form of forecasts. Forecasting is important in developing premises as it is technique of gathering information about future.
- Forecast can be made about the demand for a particular product, government policy, change in interest rate, tax rate, etc.

3. Listing the various alternatives for achieving the objectives: After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives, as there can be many ways to achieve the objectives and managers must know all the ways to reach the objectives.

4. Evaluation of different alternatives: After making the list of various alternatives along with the assumptions supporting them, the manager starts evaluating each and every alternative and notes down the positive and negative aspects of every alternative. Alternatives are evaluated in the light of their feasibility and consequences.

5. Selecting an alternative: The best alternative is selected but as such there is no mathematical formula to select the best alternative. Sometimes, instead of selecting one alternative, a combination of different alternatives can also be selected. The most ideal plan is most feasible, profitable and with least negative consequences.

6. Implementing the plan: For implementing the plans or putting the plans into action, the managers start communicating the plans to all the employees very clearly because the employees actually have to carry on the activities according to specification of plans.

7. Follow-up: Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The managers monitor the plan carefully while it is implemented. The monitoring of plan is very important to ensure objectives achieve.

Features/Nature/Characteristics of Planning

1. Planning focuses on achieving objectives: Planning starts with the determination of objectives along with the activities to be undertaken to achieve these goals. Planning has no meaning unless it contributes to the achievement of pre-determined organisational goals.

2. Planning is primary function of management: Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function. This is also referred as primacy of planning.

3. Pervasive: Planning is required at all levels of the management and in all types of organisations. It is not a function restricted to top level managers only but planning is done by managers at every level.

4. Planning is futuristic/forward looking: Planning always means looking ahead or planning is a futuristic function. All the managers try to make predictions and assumptions for future. It implies keeping in mind the future, analysing it and predicting it.

5. Planning is continuous: Plans are prepared for a specific period of time, may be for a month, a quarter or year.innow

6. Planning involves decision-making: The planning function is needed only when different alternatives are available and we have to select most suitable alternative, We cannot imagine planning in absence of choice because in planning, function managers evaluate various alternatives and select the most appropriate. But if there is one alternative available then there is no requirement of planning.

7. Planning is a mental exercise: It is a mental exercise. Planning is a mental process which requires higher thinking. It is a basic activity of thinking rather than doing, planning require logical and systematic thinking rather than guesswork or wishful thinking.

Importance/Significance of Planning

1. Planning provides direction: Planning provides the directions to the efforts of employees by stating the goals in advance if goals are well defined employees are aware of what organisation have to do and what they must do to achieve these goals.

2. Planning reduces the risk of uncertainties: Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. Uncertainties can not be eliminated but these can be foreseen and managerial response to them can be developed.

3. Planning reduces overlapping and wasteful activities: Planning clearly indicate what is to be done and by whom to be done. Each department each employee clearly know what is their part so no chances of overlapping or duplication of work. It helps in avoiding confusions and misunderstandings.

4. Planning promotes innovative ideas: Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. It makes the managers innovative and creative.

5. Planning facilitates decision-making: Planning helps the managers to take various decisions. As in planning, goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast and rational decisions.

6. Planning establishes standard for controlling: Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case, there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

Limitations of Planning

1. Planning leads to rigidity: Once plans are made to decide the future course of action the manager may not be in a position to change them. Following pre-decided plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment: Business environment is very dynamic as there are changes continuously taking place in economic, political and legal environment. Plans may fail if the changes are very frequent. Planning cannot foresee everything and thus, there may be obstacles to effective planning.

3. It reduces creativity: Most of the time plans are made by top level management rest of members just implement these plans middle level managers and the employees of the organisation start working rigidly and they become the blind followers of the plan only. Thus much of the initiative or creativity inherent in them also get lost or reduced.

4. Planning involves huge cost: Planning involves huge cost in terms of time and money. Checking accuracy of facts may involve lot of time. Detailed plans require scientific calculations to ascertain facts and figures. There is lot of cost involved in planning like-

expenses on board room, meetings, discussion with professional experts and preliminary investigations to find out viability of plan.

5. It is a time-consuming process: Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. A lot of time is needed in developing planning premises.

6. Planning does not guarantee success: Any plan drawn, needs to be translated into action or it become meaningless. Sometimes, managers have false sense of security that plans have worked successfully in past so these will be working in future also. Managers have tendency to rely on previously tried and tested successful plans. It is not always true as there are so many other unknown factors to be considered.

Types of Plan

Plan can be classified into several types depending upon the use and length of the planning period. These plans can be classified in two categories.

- (i) Single use plan
- (ii) Standing plans

Single Use Plans

- (a) Single use plans are one time use plan.
- (b) These are designed to achieve a particular goal that once achieved will not reoccur in future.
- (c) These are made to meet the needs of unique situations.
- (d) 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

- (a) 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.
- (b) They are made once but retain their value over a period of years.
- (c) Although some revisions and updates are made in these plans from time to time.
- (d) It is designed to ensure that internal operations of an organisation run smoothly.
- (e) Enhances efficiency and routine decision making.

There are other types of plans which are usually not classified as single use or standing plans. These are strategy, objectives as these plans are prepared by top management and serve as guide for overall planning whereas single use and standing plans are part of the operational planning process.

1. Objectives (Neither Single use nor Standing plan)

The first step of planning is to set the objectives. Objectives is what the organisation wants to achieved by the Resmo of activities, eg. an organisation may have an objection of increasing role by 10% in 6 months.

Features of Objectives

- (a) Determine what is to be done? Objectives can be said to be the desired futue position.
 - (b) Objectives are the end which the organisation seeks to achieve by its operations?
 - (c) All activities are guided towards objectives.
 - (d) Serve as guide for overall business planning.
 - (e) Define the future state of affairs which the organisations strive to realise.
- These are usually set by top level management.

2. Strategy (Neither single use nor standing plan)

A strategy is a comprehensive plan to achieve the organisational objectives taking business environment into consideration. The dimensions of strategy are:

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

For example, choice of advertising media, sales promotion techniques, which channels of distribution to be used, who are the customers, what is the demand, etc.

Features of Strategy

- (a) Show the blueprint of the business provide outline of business?
- (b) Strategy is influenced by business environment. Whenever a strategy is formulated, the business environment needs to be taken into consideration. The changes in economic, legal, political, technological, social environment will effect an organisation's strategy.
- (c) Strategy directs future decision making and scope in long run.
- (d) A strategy provides the broad contours of an organisation in business.
- (e) Strategies usually take the course of forming the organisation's identity in the business environment.
- (f) Major strategic decisions will include decisions like whether the organization will continue in same kind of business or combine new lines of activities or seek to acquire dominant position in the same business.

3. Policies (Standing plan)

Policy can be defined as organisation's general response to a particular problem or situation. In simple words, it is the organisation'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 provides a basis for interpreting strategies.

Features of Policies

- (a) Policies are general statements that guide thinking or channelise energy toward a particular directly.
- (b) Guides managerial action and decisions implementation of strategies.
- (c) Policy is organisation's customised way of handling problems. It brings uniformity in decision making.
- (d) Policies define broad parameters within which a manager may function.
- (e) There are policies for all levels and department in the organisation.

4. Procedures (Standing plan)

Procedures are required steps established in advance to handle future conditions. They detail the exact manner in which work is required to be performed.

Features of Procedures

- (a) Sequence of steps to carry on different activities.
 - (b) Generally meant for insiders only.
 - (c) Are mostly in a chronological order.
 - (d) The sequence of steps or actions to be taken to enforce a policy and attain pre-determined objectives.
 - (e) Exact manner in which an activity has to be done.
- Policy and procedures are interlinked with each other. Procedures are steps to be carried out within the broad policy framework.

5. Methods (Standing plan)

- (a) Methods can be defined as formalised or systematic way of doing a jobs.
- (b) The managers decide in advance the common way of doing a job. So that, There is no doubt in the minds of employees.
- (c) There can be uniformity in actions of the employees.
- (d) These help in applying the techniques of standardisation and simplification.
- (e) Act as guide for employees.
- (f) Method deals with task comprising one step of a procedure and specifies how this step has to be performed.
- (g) Selection of proper method saves time, money and efforts and increases efficiency.

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 valuation of depreciation whether to use straight line or diminishing balance method of depreciation.

Features of Methods

- (a) Standardised way in which a task has to be performed.
- (b) Selection of right method saves time, money and increases the efficiency.
- (c) Methods vary from task to task.

6. Rules (Standing plan)

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 organisation.

Features of Rules

- (a) Code of conduct or general instructions in any organisation.
- (b) Specifies what to do and what not to do.
- (c) Are rigid, stringent and compulsive in nature. Do not provide any flexibility.
- (d) They are usually the simplest type of plan.

7. Budgets (Single use plan)

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. Along with financial budget capital budget, is prepared to find out the expected capital requirement.

Features of Budgets

- (a) Statement of expected result expressed in numerical terms.
- (b) Serves as standard for measuring and comparing actual performance.
- (c) Quantifies future facts and figures.
- (d) Budgets are prepared by managers at every level.
- (e) It is a controlling device from which deviations can be taken care of.

8. Programmes (Single use plan)

Programmes are the combination of objectives, policies, procedures and budget, 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. For example, construction of shopping mall, opening of new department. Programmes are framed to carry on a particular project.

Features of Programmes

- (a) Detailed statement about a project.
- (b) Is a combination of objectives, policies, procedures and rules.
- (c) Is prepared for various activities.
- (d) Ensures systematic working in an organisation.
- (e) Includes entire gamut of activities.
- (f) In programme, the minutest details are worked out for its procedures, rules, budgets, within the broad policy framework.