

Planning

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→ selecting mission and objective and the action to achieve them, it requires decision making that is selecting from alternative future course of action

planning is deciding in advance what to do when to do how to do who will do it

Nature of planning

- **Planning is goal oriented** – Plans arise from objectives. Objectives provide guidelines for planning.
- **It is a primary function** – Planning provides the basis foundation from which all future **management functions** arise.
- **It is persuasive** – It is required at all levels of management. It is not an exclusive function of any management level or department. Managers have to plan for every change that occurs in an organization. However, the scope of planning differs at all levels and among different department.
- **It is mental activity** – Planning is a mental process involving – imagination, foresightedness and sound judgment. Plans are based on careful analysis of internal and external factors influencing business activities. It is carried out in a logical and systematic manner.
- **It is a continuous process** – It is an ongoing process of adapting the organization with the changes in **business environment**. Since a business exist in a dynamic environment it is necessary to continuously plan based on changing business needs and situations.
- **It involves choice** – it is essentially a choice among various alternative course of action. A manager has to select the best alternative after careful analysis and evaluation.
- **It is forward looking** – Planning means looking ahead and preparing for the future. It involves analysis of the future needs and requirements of the business and preparing for it.
- **It is flexible** – Planning is based on future forecast of events and situations. Since future is uncertain, plans are flexible enough to adapt with future change of events.
- **It is an integrated process** – Plans are structured in a systematic and logical sequence where each plan or step is highly inter-dependent and mutually supportive.
- **It includes effective and efficient dimensions** – Plans aim at optimum utilization of resources to be efficient and are based on predetermined objectives to measure effectiveness of the plan.

Importance of Planning

- It provides direction.
- It focuses on organizational objectives and goals
- It helps in optimum utilization of resources
- It reduces risks of uncertainty
- It facilitates decision making
- It encourages innovation and creativity
- It facilitates control
- Establishes a sound organization
- Improves standard of living of people
- Reduces costs

Some major objectives of planning are:

(a) An improvement in the standard of living of the people through a sizable increase in national income within a short period of time;

(b) A large expansion of employment opportunities for the removal of unemployment and for creating jobs and incomes;

(c) A reduction in all types of social, economic and regional inequalities;

(d) An efficient utilisation of the country's resources for faster growth;

(e) Removal of mass poverty within a definite time limit through land reform, employment creation, and provision of educational and medical facilities;

(f) Attainment of self-reliance by reducing dependence on foreign capital and foreign aid.

Planning Process

Establishment of objectives



Developing premises



Evaluating and selection of alternatives



Formulating derivative plans



Securing cooperation and participation



Review and follow up

(1) Establishment of objectives

It involves identification of goals and objectives of the organization by carefully examining the internal and external environment affecting the business.

(2) Developing premises

Premises are assumptions about the environment in which plans are made and implemented. Thus assumptions about market demand, cost of raw material, technology to be used, population growth, government policy etc. are to be made while formulating a plan.

(3) Evaluating and selection of alternatives

Changes in the external environment pose different alternatives for organizations to carry out a particular task. Different alternatives are evaluated against factors like [costs](#), [risks](#) and benefits involved in following a specific course of action and the best alternative is chosen.

(4) Formulating derivative plans

Derivative plans are secondary plans formulated to support the basic plan. E.g. Detailed plans formulated for various departments, units, activities etc. Derivative plans indicate the time schedule and sequence of performing various tasks.

(5) Securing cooperation and participation

Manager must involve people from various departments and take their suggestions and criticisms to rectify the defects in the plan if any. Participation of employees in formulation of plans motivates them to carry out the plan with best of their abilities.

(6) Providing for follow up

Plans are constantly reviewed to ensure their relevance and effectiveness with the changing dynamics in the [business environment](#). It helps to develop sound plans for the future and avoiding mistakes that surface after or while implementing a plan.

Decision making as key step in planning

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By INDIAFREENOTES

Planning and decision-making are the most important managerial functions, and there are many relations between them. Planning is thinking of doing. Decision-making is a part of planning. Planning is the process of selecting a future course of action, where Decision-making means selecting a course of action.

Decision-making is defined as the process by which different possible solutions or alternatives are identified and the most feasible solution or course of action is finalized. It is an integral part of planning. Decision-making results in selecting the right action among different available options.

Different characteristics of decision-making:

1. **Process-oriented**

Decision-making consists of a process to choose the best solution to a problem among available alternatives. The process includes identifying and analyzing problems, collecting different facts and figures, finding different solutions, and, finally, narrowing down and implementing the best one to meet organizational goals.

2. **Demands creativity and Intellectual mind**

Decision-making process requires creativity and logical thinking. It demands a lot of mental exercise and other components, i.e. education, experience level, intelligence, etc.

3. **Demonstrates commitment**

Decision-making process ensures better results based on the decisions made. So, it indicates the commitment of desired results. It requires joint efforts of the team.

4. **Ensures the best solution**

Decision-making also provides the best solution to any problem as the best solution is decided after evaluating different available alternatives.

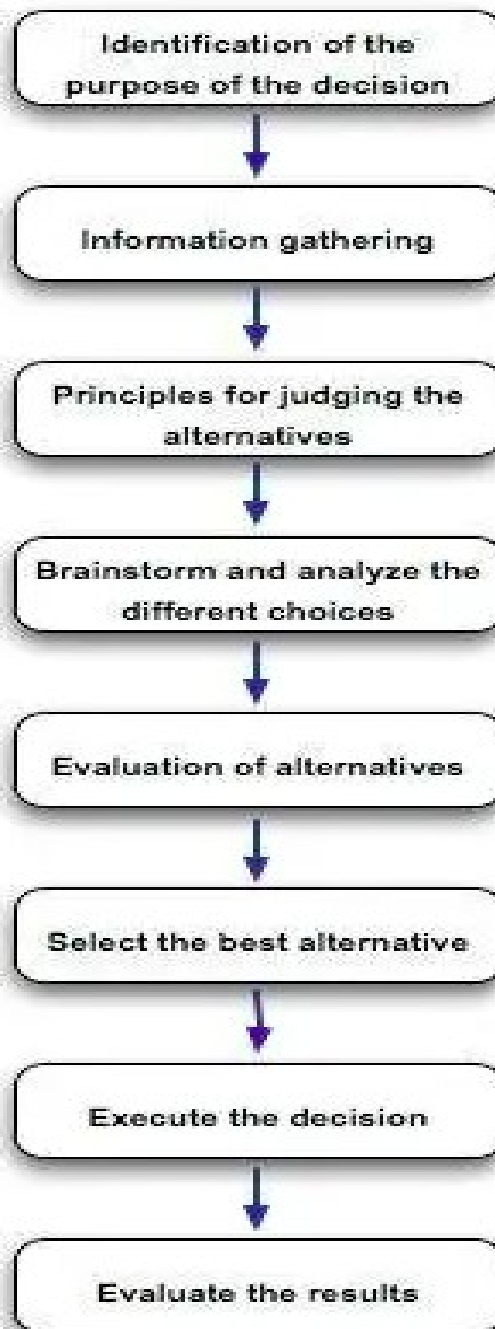
5. **Impacts of decision-making**

Decision-making can be either positive or negative. A positive or right decision can bring positive results and negative or wrong decisions can bring negative results.

According to Koontz and O'Donnel

Decision making is the actual selection from among alternatives course of action

Process and Technique of Decision Making



Step 1: Identification of the purpose of the decision



In this step, the problem is thoroughly analysed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.

- What exactly is the problem?
- Why the problem should be solved?
- Who are the affected parties of the problem?
- Does the problem have a deadline or a specific time-line?

Step 2: Information gathering

A problem of an organization will have many stakeholders. In addition, there can be dozens of factors involved and affected by the problem.

In the process of solving the problem, you will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as 'Check Sheets' can be effectively used.

Step 3: Principles for judging the alternatives

In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organizational goals as well as the corporate culture should be taken into consideration.

As an example, profit is one of the main concerns in every decision making process. Companies usually do not make decisions that reduce profits, unless it is an exceptional case. Likewise, baseline principles should be identified related to the problem in hand.

Step 4: Brainstorm and analyse the different choices



For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritization of causes.

For this, you can make use of Cause-and-Effect diagrams and Pareto Chart tool. Cause-and-Effect diagram helps you to identify all possible causes of the problem and Pareto chart helps you to prioritize and identify the causes with highest effect.

Then, you can move on generating all possible solutions (alternatives) for the problem in hand.

Step 5: Evaluation of alternatives

Use your judgement principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgement principles come into play. You need to compare each alternative for their positives and negatives.

Step 6: Select the best alternative

Once you go through from Step 1 to Step 5, this step is easy. In addition, the selection of the best alternative is an informed decision since you have already followed a methodology to derive and select the best alternative.

Step 7: Execute the decision

Convert your decision into a plan or a sequence of activities. Execute your plan by yourself or with the help of subordinates.

Step 8: Evaluate the results

Evaluate the outcome of your decision. See whether there is anything you should learn and then correct in future decision making. This is one of the best practices that will improve your decision-making skills.