

4. PLANNING

Planning is the beginning of all the other processes of management-organizing, staffing, directing, communication and control.

Planning is deciding in advance what to do, how to do, when to do and who is to do it. Planning bridges the gap from 'where we are' to 'where we want to go' (Koontz and O'Donnell).

In the words of Theo Haimann, "Planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives, policies, programmes, procedures and other means of achieving their objectives.

Characteristics

1. Planning

Planning is an intellectual exercise. It is concerned with thinking in a creating way as to how the existing combination of resources may be adjusted and adapted to match the emerging opportunities.

Planning enables the management to make decisions regarding a) what is to be done; b) how it is to be done; c) when it is to be done; and by whom it is to be done.

2. Planning and Forecasting

Forecasting describes what one expects to happen if no changes are made to escape that happening. Planning describes what one wants to happen.

3. Accomplishment of Group Activity

Planning is essential to any goal directed activity. It enables people with divergent perceptions and motivations to work together to achieve common goals.

4. Choice between Alternatives

Planning seeks to adjust and adapt the existing mix of resources to meet the emerging opportunities. The first choice to be made by management is with regard to objectives of the business, i.e., profitability, growth, consumer satisfaction, man power development, prestige, and so on. The next choice is in respect of the strategy to be adopted to accomplish the objectives. Then comes the operational part, i.e. determining the time frame, assignment of tasks and other resources for the accomplishment of the objectives.

5. Pervasiveness of Planning

Involvement of managers at levels is essential to the success of planning.

6. Flexibility

Successful running of an organization involves matching of its resources with the emerging opportunities in the business environment.

7. Integrated Process

Planning involves selection of achievable objectives, and formulation of simple and realistic policies, programmes, procedures etc., for the accomplishment of that objective. Effective planning takes care of the conflicting views and settles for a course of action that is in the maximum interest of the organization, besides being satisfying to the personnel involved.

Importance of Planning

1. Selection of "Optimum" Goals

Planning involves rational thinking and decision - making concerning a proposed course of action.

2. Tackling Increasing Complexities

An organization is a heterogeneous group of human beings who differ from one another in many respects. It is unlikely that they will work effectively and harmoniously in the interest of the organization, unless they have a plan.

3. Meeting Environmental Changes

Business environmental changes more rapidly in terms of social values, competition, new product discoveries and consumer's tastes and preferences - and these changes will upset any organization. Only proper and effective planning can help the management by adjusting and adapting the inputs and transformation process to suit the environmental changes.

4. Safeguard against Business Failure

Business failures are blamed on cut-throat competition, unpredictability of consumer tastes and preferences, rapid technological changes and abrupt economic and political development. However, in many cases, failure is caused due to rash and unscientific decision – making. Planning cannot avert all business failures. But it forces the management to assess and evaluate each emerging business opportunity and problem, and examine the various courses of action to meet it effectively.

5. Effective Co-ordination and Control

Planning makes it easy to exercise control and co-ordination. The work to be done, the persons and the departments which have to do it, time limit within which it is to be completed and the cost to be incurred, are all determined in advance.

Limitations of Planning

1. Uncertainty

Assessment of future can only be in terms of guess work, probabilities, speculations and assumptions. The goals may be based on scientific analysis of relevant facts, and yet such analysis cannot be cent percent correct.

2. Action Packed Routine

Managers are ever preoccupied with day-to-day problems. This leaves them little time to think and plan about the problems of tomorrow.

3. Rigidity

Planning involves setting of objectives, and determination of the ideal course of action for their implementation. It implies that there will be no deviation from the chosen path.

4. Costly

Planning is an expensive exercise, both in terms of time and money.

Steps in Planning

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1. Identification of the Opportunity or Problem

Planning must facilitate the organization to suit it to its environment. The constraints and opportunities provided by the environment may be in the form of government regulations, existing cultural norms, limited financial resources in the capital market, changing technology, production of goods and services as per customer preferences etc. Hence, correct identification of opportunity or problem is the first step of planning.

2. Collection and Analysis of Relevant Information

Effective planning depends on the quality, relevance and validity of the information on which it is based. The sources of information may be classified as external and internal. External source will include suppliers, customers, professional people, trade publications, newspapers, magazines, conferences, etc. Internal sources will comprise meetings, reports, and contacts with superiors, same ranks and subordinates.

3. Establishment of Objectives

Establishment of objectives points out the desired outcome that an organization may aim at stability of operations, growth, a higher rate of return, market leadership and so on.

4. Determination of Planning Premises or Limitations

Planning has to take into account numerous uncertainties in its environment. Important components of the internal environmental are a) technology, b) structural relationship and organization design, c) employee attitude and morale; and d) managerial decision-making process. Internal environment is within the control of management which can appropriately adjust and adapt it to the requirements of the external environment.

Uncertainties relating to the environment are beyond the control of management. These may be in respect of a) fiscal policies of the government, b) economic condition; c) population trends; d) consumer tastes and preferences; e) competitor's plans and activities; and f) personal practices.

Only those factors which are to critically affect the enterprise plans should be identified and evaluated.

5. Examining alternative course of action

Often, there will be more than one action plan to achieve a desired objective. For example, if the objective is to maximize profits and there are no limits to increasing production, the objective can be achieved through, either tapping unexpected markets, or intensifying sale efforts in the existing markets, or increasing the price, or diversifying production. The number of alternative plans prepared by a manager would depend on this imagination, skill and experience.

6. Weighing Alternative Courses of Action

Evaluation of each alternative action-plan will have to be from different points of view, namely, a) its effectiveness in contributing to the accomplishment of organizational objectives; b) its ability to withstand the effects of environmental changes; and c) its integration with on going action plans.

7. Selecting a Course

Whether the evaluation of various alternatives is directed by individual preferences and prejudices, or it is based on mathematical and statistical techniques, the course of action is to be optimum, or the best under the circumstances. Selection of the best course of action depends on resource availability, objectives, efficiency and economy.

8. Determining Secondary Plans

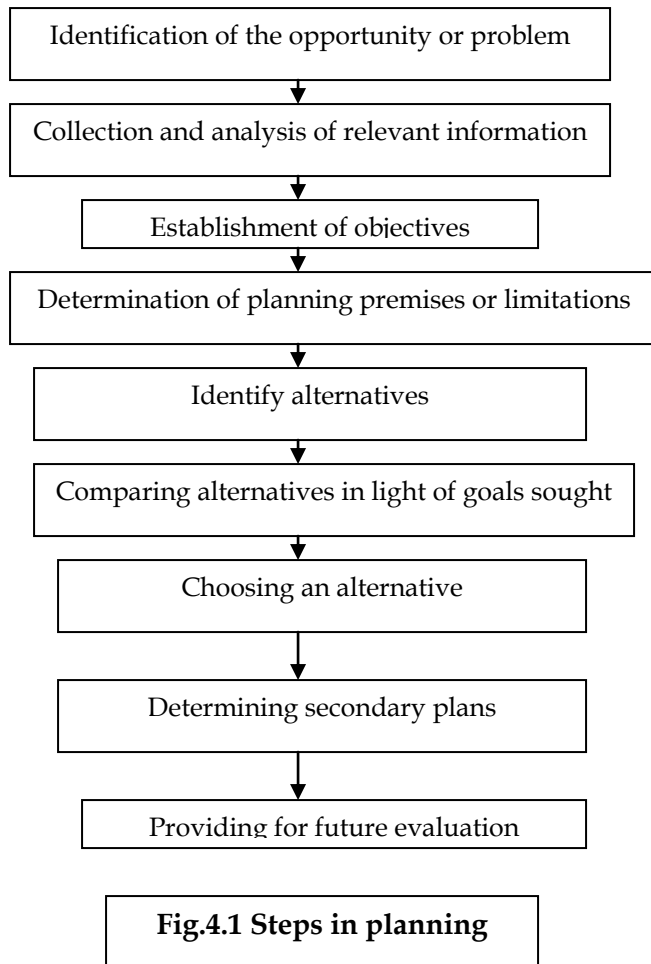
Secondary plans flow from the basic plan. These are meant to support and expedite the achievement of the basic plans. For example, once the basic plan is decided upon, a number of secondary plans dealing with purchase of raw materials and machines, hiring and training of workers and so on would have to be prepared to facilitate execution of the basic plan.

9. Providing for Future Evaluation

In order to ascertain if plans selected for the purposes are proceeding along right lines, it is necessary to devise a system for continuous evaluation of plan.

Long Range and Short Range Planning

Planning is often classified on the basis of the length of the period covered by it. Accordingly, there may be long range and short range planning. However, the length of the planning period will depend on the organizational level at which planning is being done-the type of business, the production cycle, managerial practices, etc.



Long-Range Planning

Long-Range planning covers a long period in future, e.g., five or ten years, and, sometimes even longer. It is concerned with the functional areas of business such as production, sales, finance and personnel. It also considers long-term economic, social and technological factors which affect the long-range objectives of the enterprises. All enterprise activities are directed to achieve the targets set by long-range planning. Long-range planning is also called **strategic planning**, because it is concerned with preparing the enterprise to face the effects of long-term changes in business environment, such as entry of new products, new competitors, and new production techniques and so on.

Short-Range Planning

Short-range planning, also called **tactical planning**, covers a short period, usually one year. It deals with specific to be undertaken to accomplish the objectives set by long-range planning. Thus, it relates to current functions of production, sales, finance and personnel.

Planning to accomplish Specific Goals

While long range and short-range planning encompass all the functional area of the enterprise, planning to accomplish certain specific goals cover one or a few of these areas. But such planning is only supplementary to long-range or short range planning of the enterprise and, in a sense; it can be called intermediate planning.

1. Production Planning

It concerns with sales and production planning. That is,

- a) Determining the extent to which a particular product is acceptable to consumers,
- b) Estimating the amount of anticipated sales
- c) Determining the period up to which a product would be in demand
- d) Developing a new product to replace the old one, or improving the existing product.
- e) Intensifying sales in the existing markets and developing new markets.

2. Project Planning

It concerns with a specific project or plan, such as setting up a new factory or plant, or schemes relating to modernization, amalgamation, or absorption of existing enterprises.

Types of Plans

On the basis of the length of the planning horizon, plans may be long-term, medium-term a short-term.

Depending on their nature and scope, plans can be broadly classified as follows:

1) Standing or repeated use plans

- a) Objectives
- b) Policies
- c) Procedures
- d) Rules
- e) Strategies

2) Single - use plans

- a) Programmes
- b) Budgets

1. Standing or Repeated Use Plans

Standing or repeated use plans are those which are developed by the organization to serve as guidelines with respect to activities which will occur frequently over time.

a. Objectives

Objectives may be defined as the future results or a desired state of affairs which the organization seeks and strives to achieve.

According to Charles Perrow, objectives are categorized into:

- i) **Societal** objectives which are concerned with creation and maintenance of cultural values through the production of goods and services.
- ii) **Output** objectives, concerned with the kind of output i.e., durable goods etc.
- iii) **System** objectives, concerned with quality, innovativeness of the goods and services
- iv) **Derived** objectives concerned with secondary areas, e.g., community development.

b) Policies

Policies may be defined as guide, thinking and action of those who have to make decisions in the course of accomplishment of the enterprise objectives.

The following points must be borne in mind while formulating a policy:

- i) Broad outlines, leaving it to the managers to decide within its frame work.
- ii) consistent (Policies should not be contradictory to each other)
- iii) Adequate number (without duplication)
- iv) Sound and practicable
- v) Flexible

C. procedures

Objectives and polices do not lay down ways and means through, which objectives are achieved. So this drawback is eliminated by producer which determine

- i) the specific tasks to be performed
- ii) the time when these tasks will be performed
- iii) the persons who will perform them

d) Rules

A rule means a decision made by the management regarding what is to be done and what is not to be done in a given situation. Rules do not leave any scope for decision making. Nor do they permit any deviation.

e) Strategies

Strategies concern with how the organization plans to meet the uncertain and competitive world outside, and makes different assumption as regards the tactic and strength of the competitors. Formulation of a strategy is influenced by the external and internal environments of the organization. The external environmental consists of opportunities, threats and constraints, and the internal environment reflects the strength and weakness of the organization.

Projects are large, discrete and well defined tasks. A long-time lag is inevitable between the beginning of a projects and its completion.

b) Budget

A budget is plan relating to a period of time, expressed in numerical terms. A budget may cover projected activities of a firm for a definite period of time, providing pre determined standards of performance in the fields of sales, purchases, production, income, expenditure, investment and profit. The standards are set considering the objectives and resource position of the enterprise. They also serve as a basis of evaluating the performance in various fields, and for correcting the deviations and deficiencies, if any.

Objectives of Budgeting

1. Planning the action to be pursued within a specific period.
2. Coordinating the activities in different fields of enterprises.
3. Controlling: Deviations and deficiencies can be corrected.
4. Motivation: Budgeting provides specific goals-which can be accomplished.