

Planning

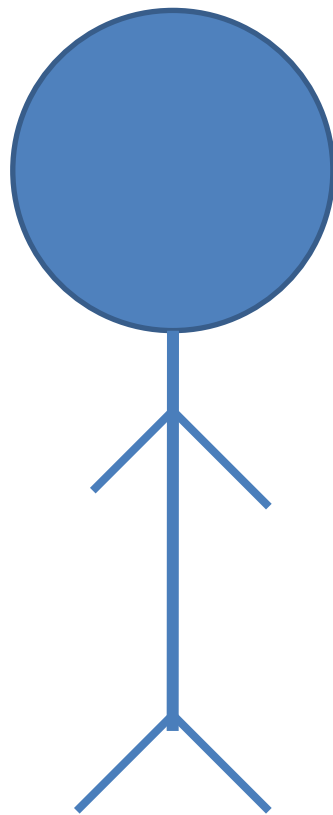
INTRODUCTION

All organisations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit & getting success in business all business man have to think about future ; make prediction and achieve target. To decide what to do , how to do and when to do they do planning.

Planning

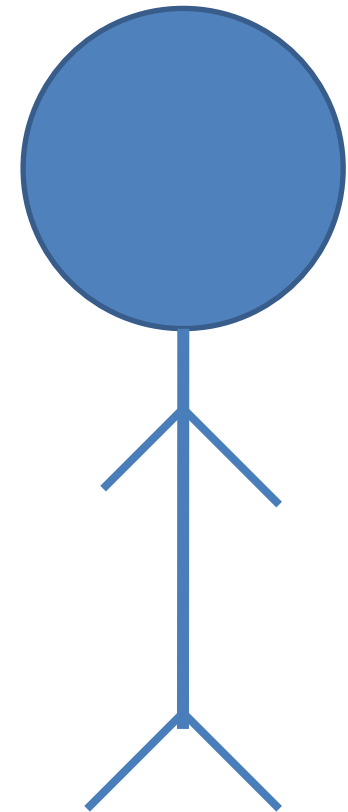
MEANING

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.



(Present position)

Planning



(Future situation)

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

➤ **Planning contributes to Objectives.** Planning starts with the determination of objectives. We cannot think of planning in absence of objective. After setting up of the objectives, planning decides the methods, procedures and steps to be taken for achievement of set objectives. Planners also help and bring changes in the plan if things are not moving in the direction of objectives.

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

➤ **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 because objectives are set up in planning and other functions depend on the objectives only.

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

➤ **Pervasive.** Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

- **Planning is futuristic/Forward looking.** Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

➤ **Planning is continuous.** Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way. So, after making plans also planners keep making changes in the plans according to the requirement of the company

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

➤ **Planning involve 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

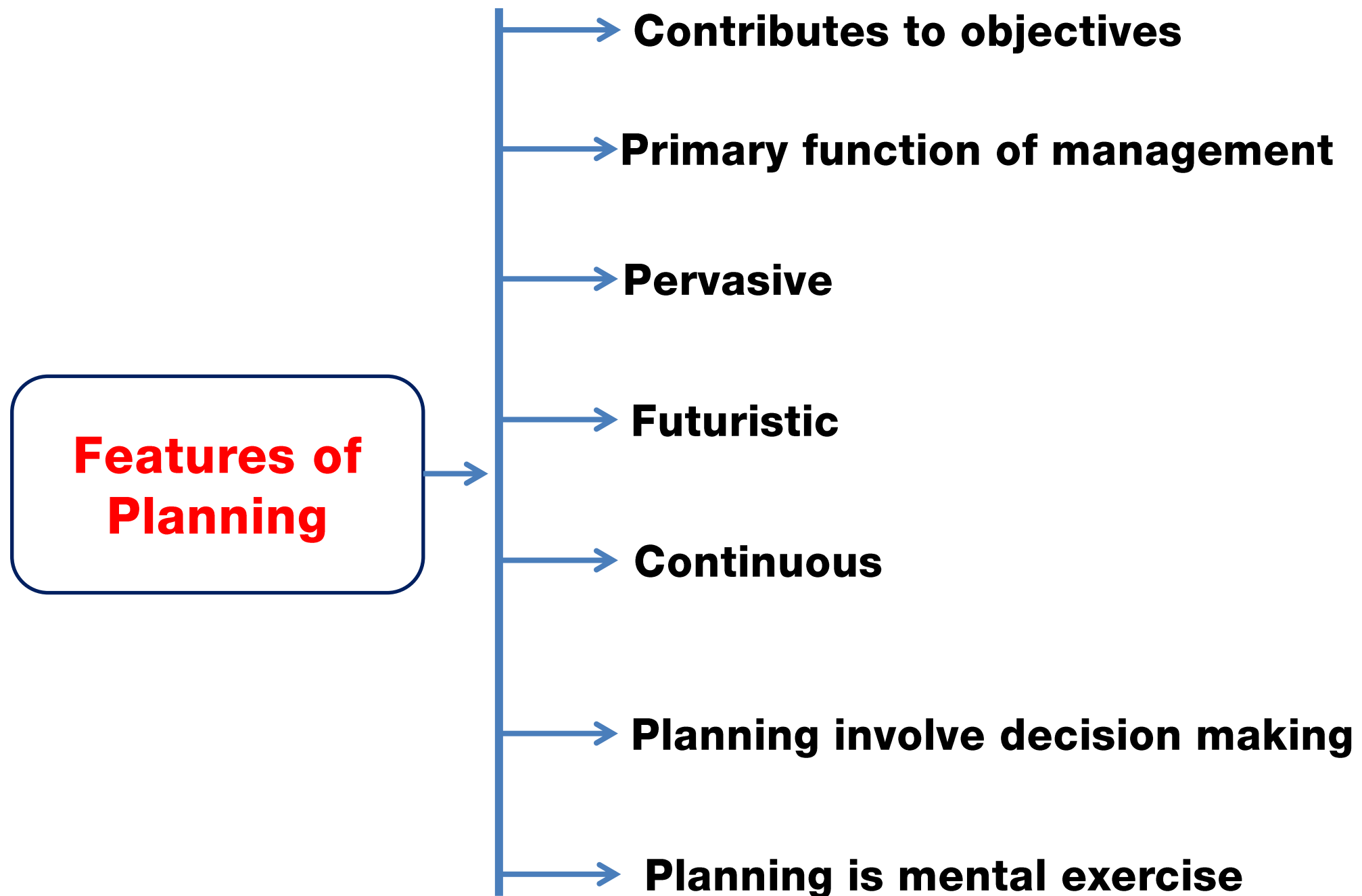
Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING

- **Planning is a mental exercise.** It is Mental exercise. Planning is a mental process which requires higher thinking, that is why it is kept separate from operational activities by Taylor. In planning assumptions and predictions regarding future are made by scanning the environment properly. This actively requires higher level of intelligence. Secondly, In planning various alternatives are evaluated and the most suitable is selected which again requires higher level of intelligence, so, it is right to call planning an intellectual process.

Planning

FEATURES/NATURE/CHARACTERISTIC OF PLANNING



Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **Planning Provides Direction.** Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do etc. by starting in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve desired goal.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

➤ **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. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **Planning reduces over lapping and wasteful activities.**
The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **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. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **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 decisions.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

➤ **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

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **Focuses attention on objectives of the company.**

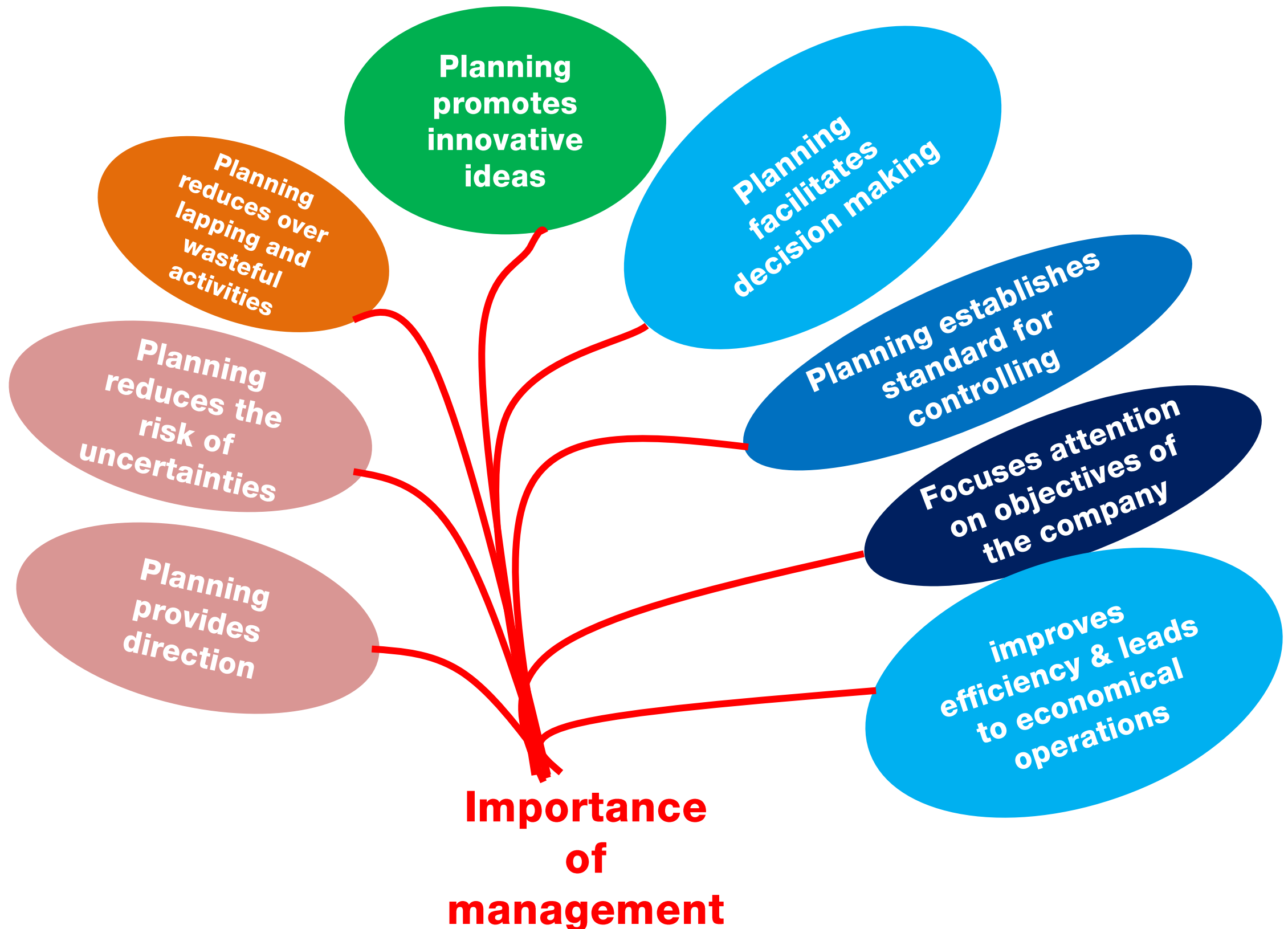
Planning function begins with the Setting up of the objectives, policies, procedures, methods and rules etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

Planning

IMPORTANCE/SIGNIFICANCE OF PLANNING

- **Improves efficiency & leads to economical operations.**
Planning results in systematic and smooth functioning of the company because planning is concerned with the predetermined course of action. The predetermination of action avoids confusion and clashes and wastage of resources. The employees also know in advance what procedures they have to follow. So, no time is wasted in selection. All the systematic working leads to economic & efficient operations.

Planning



Planning

LIMITATIONS OF PLANNING

- **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.

Planning

LIMITATIONS OF PLANNING

➤ **Planning may not work in dynamic environment.**

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It become very difficult to fore-cast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such Changes take place in environment.

Planning

LIMITATIONS OF PLANNING

- **It reduces creativity.** With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

Planning

LIMITATIONS OF PLANNING

- **Planning involves huge cost.** Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

Planning

LIMITATIONS OF PLANNING

- **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. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed.. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

Planning

LIMITATIONS OF PLANNING

- **Planning does not guarantee success.** Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans. It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

Planning

LIMITATIONS OF PLANNING

- **Lack of accuracy.** In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

Planning

LIMITATIONS OF PLANNING

- **Planning leads to rigidity**
- **Planning may not work in dynamic environment**
- **It reduces creativity**
- **Planning involve huge cost**
- **It is a time consuming process**
- **Planning does not give guarantee success**
- **Lack of accuracy**

Planning

PLANNING PROCESS

- **Setting up of the objectives.** In planning function manager begins with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only. The managers set up very clearly the objectives of the company keeping in mind the goals of the company and the physical and financial resources of the company. Managers prefer to set up goals which can be achieved quickly and in specific limit of time. After setting up the goals, the clearly defined goals are communicated to all the employees.

Planning

PLANNING PROCESS

- **Developing premises.** Premises refers to making assumptions regarding future. Premises are the base on which plans are made. It is a kind of forecast made keeping in view existing plans and any past information about various policies. There should be total agreement on all the assumptions. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information. Common forecast are made to find out the demand for a product, change in government or competitor policy, tax rate etc.

Planning

PLANNING PROCESS

- **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 objective and managers must know all the ways to reach the objectives.

Planning

PLANNING PROCESS

- **Evaluation of alternative courses.** 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. After this the manager starts eliminating the alternatives with more of negative aspect and the one with the maximum positive aspect and with most feasible assumption is selected as best alternative. Alternatives are evaluated in the light of their feasibility.

Planning

PLANNING PROCESS

➤ **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.

After preparing the main plan, the organisation has to make number of small plans to support the main plan. These plans are related to performance of routine jobs in the organisation. These are derived from the major plan. So, they are also known as derivative plans. These plans are must for accomplishing the objective of main plan. The common supportive plans are plans to buy equipment, plan for recruitment and selection of employees, plan to buy raw material etc.

Planning

PLANNING PROCESS

- **Implement the plan.** The managers prepare or draft the main and supportive plans on paper but there is no use of these plans unless and until these are put in action. 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. After communicating the plan to employees and taking their support, the managers start allocating the resources according to the specification of the plans.

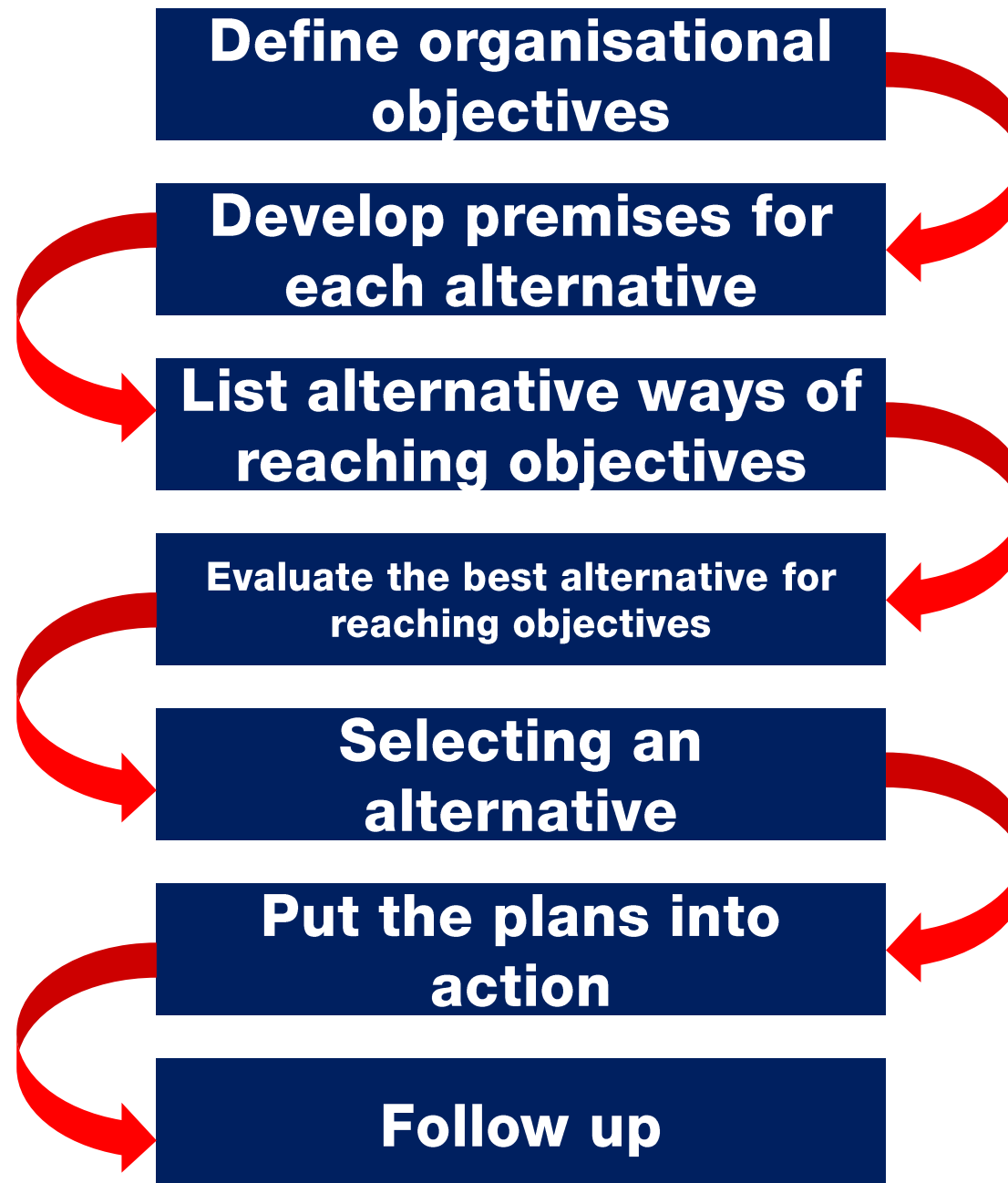
Planning

PLANNING PROCESS

➤ **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 because it helps to verify whether the conditions and predictions assumed in plan are holding true in present situation or not. If these are not coming true then immediately changes are made in the plan. During follow up many adjustments are made in the plan.

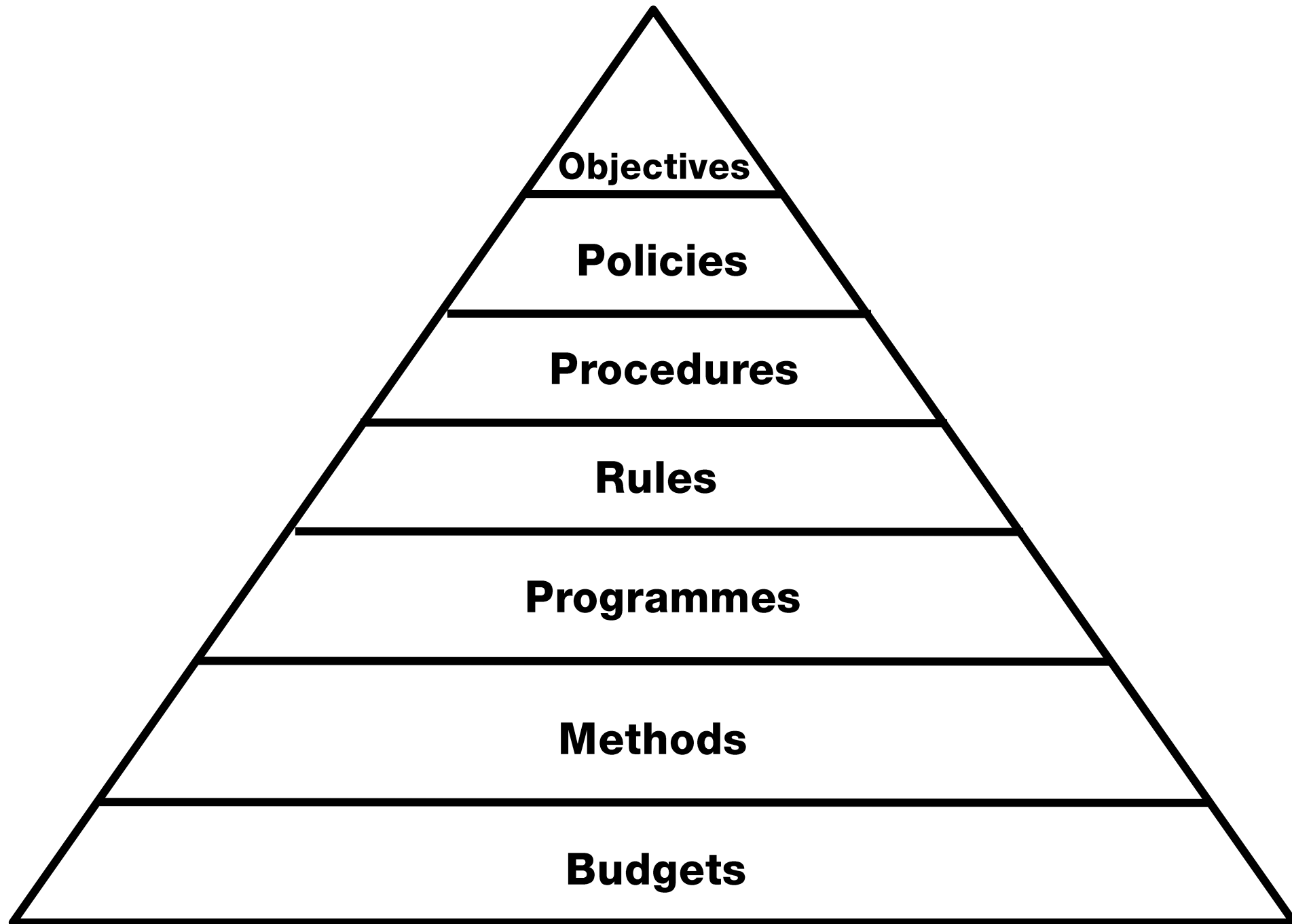
Planning

PLANNING PROCESS



Planning

Type of Plans



Planning

Differences Between

Policies		Objectives
a.	Policies are organisation's own way of solving a particular problem.	Objectives are end results of an organisation.
b.	Policies describe how the work is to be done.	Objectives describe what is to be done.
c.	Policies explain the mode of achieving the objectives.	Objectives are end points of planning.
d.	Policies are framed by top, middle and lower level managers.	Objectives are generally formed by top level managers only.

Planning

Differences Between

	Policies	Procedure
a.	Policies are organisation's own tackling the problem.	Procedures are step by step way of doing a job.
b.	Policies are guide to think for decision making.	Procedures are guide to actions.
c.	Policies are derived from objectives of the company.	Procedures are required for implementation of policy.
d.	Policies are more rigid.	Procedures are less rigid.
e.	Policies are expressed in general terms.	Procedures are expressed in specific terms
f.	Example : School's policy to give admission to students securing more than 60% marks.	Example : Procedure for maintaining admission can be: 1. Separate file, 2. Keeping admission forms in file, 3. Checking data filled in form with original document etc.

Planning

Differences Between

Procedures		Methods
a.	Procedures are sequences of steps to be followed for performing some important jobs.	Methods are formalised way of doing a routine and repetitive jobs.
b.	Procedures are more rigid.	Methods are less rigid or flexible.
c.	Procedures help in implementation of policy.	Methods help, for standardisation and co-ordination of activity.
d.	Example: Procedure for giving admission in school or giving contracts to an outside agency.	Example: Methods of valuation of stock or method of production.

Planning

Differences Between

Procedures		Methods
a.	Policies are organisation's own way of handling a problem.	Rules are norms regarding actions and non-actions of employees.
b.	Policy is a general statement.	Rule is a specific statement.
c.	Policy is a guide for decision making and thinking.	Rule is a guide to behaviour of employees
d.	Policy describes what is to be done under different situations.	Rules describe what is to be done and what is not to be done by the employees.
e.	Policies are less rigid.	Rules are very rigid.
f.	Example: Policy of giving admission to students securing more than 60% marks.	Example: No smoking in office premises.

Planning

Differences Between

Rules		Methods
a.	Rules are norms for action and non-action of employees.	Methods are formalised way of doing routine and repetitive jobs.
b.	Rules are very specific or very rigid also	Methods are specific but flexible
c.	Rules improve the behaviour of the employees.	Methods bring quantity improvement and standardisation.
d.	If rules are not followed then there is strict penalty for it.	If methods are changed then there can be warning but no penalty
e.	Example: Rule No Smoking	Example: Follow straight line method of depreciation.

Planning

Differences Between

Strategy		Policy
a.	It is comprehensive plan which includes various steps.	It is a single plan.
b.	It is formulated for solving challenging and unforeseen problems.	It is formed to carry out routine function.
c.	Every time a new strategy is prepared to solve different problems.	Common policy is used for all the routine problems.
d.	It is adhoc or temporary in nature.	It is permanent in nature.
e.	It allocates human and other resources.	It uses the resources for decision- making

Short Answer Type Questions

What are the main points in the definition of planning?

Ans: The main points in the definition of planning are as follows

- (i) Planning is deciding in advance what to do and how to do.**
- (ii) It is one of the basic managerial function.**
- (iii) Planning involves setting objectives and developing an appropriate course of action to achieve these objectives.**
- (iv) It bridges the gap between where we are and where we want to reach.**

Short Answer Type Questions

How does planning provide direction?

Ans: Planning provides direction for action by deciding in advance what has to be done, how to do, when to do and who will do. When we try to seek answers to the above questions, which are well planned then directions are automatically highlighted.

Short Answer Type Questions

Do you think planning can work in a changing environment?

Ans: Planning may not work in a changing environment. The environment consists of a number of dimensions, economic, political, social, legal and technological dimensions. The organisation has to constantly adapt itself to changes. It becomes difficult to accurately assess future trends in the environment. Planning cannot foresee everything and thus, there may be obstacles to effective planning.

Short Answer Type Questions

If planning involves working out details for the future, why does it not ensure success?

Ans: Planning does not guarantee success. The success of an enterprise is possible only when plans are properly drawn up and implemented. Any plan needs to be translated into action or it becomes meaningless. Managers have a tendency to rely on previously tried and tested successful plans. It is not always true that just because a plan has worked before it will work again. This kind of false sense of security may actually lead to failure instead of success.

Short Answer Type Questions

Why are rules considered to be plans?

Ans: Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion. It reflects a managerial decision that a certain action must or must not be taken. They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken.

Short Answer Type Questions

What kind of strategic decisions are taken by business organisations?

Ans: Major strategic decisions include whether the organisation will continue to be in the same line of business or combine new lines of activity with the existing business or seek to acquire a dominant position in the same market.

Long Answer Type Questions

Why is it that organisations are not always able to accomplish all their objectives?

Ans: Organisations are not always able to accomplish all their objectives due to the following reasons

(i) Planning Leads to Rigidity In an organisation a well defined plan is drawn up with specific goals to be achieved, with in a specific time frame. These plans then decide how the work will progress in the future and managers may not be in a position to change it. This creates a problem as flexibility is very important. Always adhering to the plan may not give us the desired results always.

Long Answer Type Questions

- (ii) Planning May not Work in a Dynamic Environment** The business environment is dynamic, nothing is constant. The business environment is a totality of external forces, where in some changes or the other keep on taking place. Plans decide in advance what has to be done in future. Planning cannot foresee everything and thus there may be obstacles to effective planning.
- (iii) Planning Reduces Creativity** Planning is generally done by the top management. Usually the rest of the members just implements these plans. As a consequence, middle management and other decisions makers are neither allowed to deviate from plans nor are they permitted to act on their own, thus planning in a way reduces creativity since people tend to think along the same lines as others, there is nothing new or innovative.

Long Answer Type Questions

- (iv) **Planning Involves Huge Cost** Planning involves huge cost in their formulation. These may be in terms of time and money. The costs incurred sometimes may not justify the benefits derived from the plans.
- (v) **Planning is a Time Consuming Process** Sometimes plans to be drawn take up so much of time that there is not much time left for their implementation and the objectives to be achieved.
- (iv) **Planning does not Guarantee Success** Any plans needs to be translated into action or it becomes meaningless. Managers have a tendency to rely on previously tried and tested successful plans. It is not always true that just because a plan has worked before it will work again.

Long Answer Type Questions

What are the main features to be considered by the management while planning?

Ans: The main features to be considered by the management while planning are

- (i) It Focuses on Achieving Objectives** Planning is purposeful. Planning has no meaning unless it contributes to the achievement of predetermined organisational goals.
- (ii) It is the Primary Function** 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 function.

Long Answer Type Questions

(iii) **Planning is Pervasive** Planning is required at all levels of management as well as in all departments of the organisations. 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.

(iv) **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.

Long Answer Type Questions

(v) Planning is Futuristic 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.

(vi) Planning Involves Decision Making Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal then there is no need for planning. The need only arises when alternatives are available. Planning thus, involves thorough examination and evaluation of each alternative and choosing the most appropriate one.

Long Answer Type Questions

(vii) Planning is a Mental Exercise Planning is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken. Planning requires logical and systematic thinking rather than guesswork or wishful thinking.

Long Answer Type Questions

What are the steps taken by management in the planning process?

Ans: The planning process involves the following steps

- (i) Establishing Objectives** The first step in planning is to determine objectives which must be realistic, specific and clear so as to specify what is to be accomplished by the network of policies, procedures, strategies etc.
- (ii) Developing Premises** They include assumptions or forecasts of the future and unknown conditions that will affect the operations of the plans. They provide an idea about the future which facilitates the work of planning.

Long Answer Type Questions

- (iii) Identifying the Alternative Courses of Action** The next step in planning is to identify the various alternatives available to achieve the objectives.
- (iv) Evaluating Alternative Courses** The merits and demerits of different courses of actions are evaluated in the light of objectives to be achieved and their feasibility is judged i.e., how far they will be successful in helping to achieve the objective.

Long Answer Type Questions

- (v) **Selecting an Alternative** The next step is to find out the most suitable course to be followed. The efforts are directed towards selecting that course. Which increases efficiency in the organisation by maximising output and profits at the minimum costs.
- (vi) **Implement the Plan** At this step the best alternative chosen is put to use.
- (vii) **Follow Up** Only putting the best alternative to action is not enough. The future is uncertain and dynamic. Therefore, it becomes important to check back whether the plan is giving results or not

Long Answer Type Questions

Is planning actually worth the huge costs involved? Explain.

Ans: Planning involves huge cost, when plans are drawn up huge costs are involved in their formulation. These are in terms of time, money, effort etc. Detailed plans require scientific calculations to ascertain facts and figures. The costs incurred sometimes may not justify the benefits derived from the plans. There are a number of incidental costs as well (which are indirect) like expenditures on organising a meeting, consultation fees given to professional experts, market survey etc. But despite the high cost no firm can work without proper planning if used properly.

Case Problem

Case Problem

Art auto company C Ltd is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements.

Case Problem

Prepare a model business plan for C Ltd to meet the existing challenge. You need to be very specific about quantitative parameters. You may specify which type of plan you are preparing.

Ans: In such a situation, formulating a strategy would be advisable.

A strategy is a single use plan. It is normally made to fight competition in the market. The model business plan, i.e., strategy will be

- (i) It is objective and its purpose is that how much sales it wants to increase over a specified time.**
- (ii) The company should then list down its strengths and weakness. This brings in light as to what will be easy and what will be difficult.**
- (iii) Aggressive, advertising and sales promotion techniques to be adopted.**

Case Problem

Identify the limitations of such plans.

Ans: Limitations of the above strategy can be

(i) Shortage of funds.

(ii) Shortage of technical professionals.

(iii) Top level may not be competent enough to develop a suitable strategy.

(iv) The company may not be successful in assessing the future plans of the competitors as compared to its own strategy.

Case Problem

How will you seek to remove these limitations?

Ans: The above limitations can be overcome by

- (i) Arranging funds in advance.**
- (ii) Effective methods of recruitment should be adopted to ensure availability of effective staff in all departments.**
- (iii) Middle level should be encouraged to propose plans in the form of suggestions. After considering all these, a strategy should be planned.**
- (iv) The company should be able to assess the moves of the competitors.**