

## CHAPTER-4 PLANNING

Planning is the fundamental function of management. It is the foundation on which other functions like organizing, staffing, directing and controlling activities are based. Planning lays down objectives and the steps necessary to achieve them. Planning is a continuous process. It is not exclusively the function of top management. Every manager in the organization performs some planning.

### MEANING AND CONCEPT

Planning is deciding in advance what is to be done, when it is to be done and by whom. It is a process which involves thinking before doing. Forecasting is the essence of planning. Planning bridges the gap between where we are and where we want to go. Planning is closely connected with creativity and innovation.

“Planning is deciding in the present what to do in the future”

- **Philip Kotler**

“Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives” -

-**M.E.Hurley**

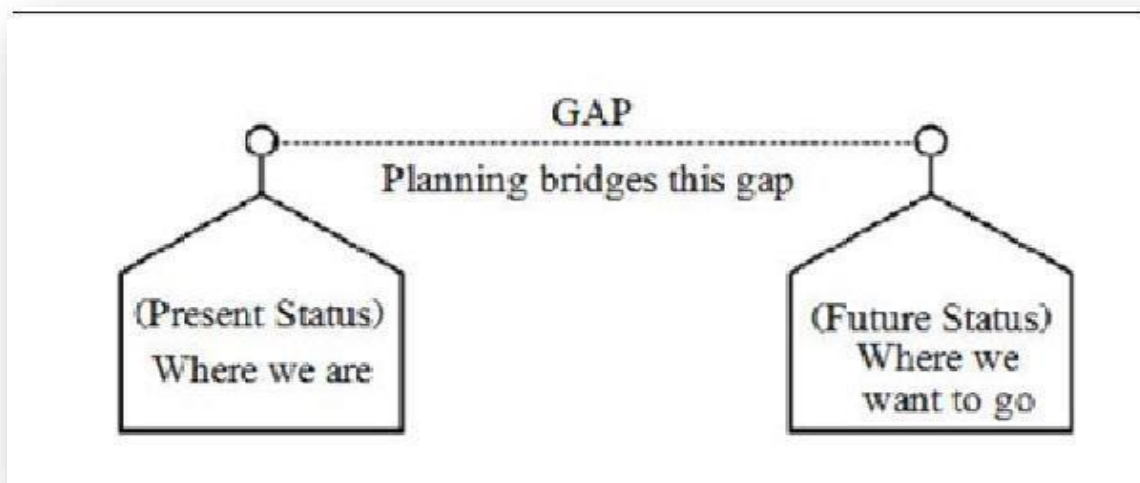
### IMPORTANCE OF PLANNING

Planning is the first step in management. Planning is the foundation of most successful actions of all enterprises. An enterprise can achieve its objective only with systematic planning. Planning is important from the following perspectives:

- 1. Planning provides directions:-** The first step in planning is to fix objectives. These objectives will give direction to the activities to be performed.
- 2. Planning reduces the risk of uncertainty:-** Planning is always forward looking. Uncertainty and changes are inevitable and planning cannot eliminate them. But with the help of planning an enterprise can predict the future events and make due provision for them.
- 3. Planning reduces overlapping and wasteful activities:-** Planning determines the activities of each department and individual. Planning enables unity of purpose and direction. Thus useless and redundant activities are minimized or eliminated.

4. **Planning promotes innovative ideas:-** Planning is a process of thinking before doing. Many new ideas come to the mind of a manager when he is planning. Thus it helps innovative and creative thinking.
5. **Planning facilitate decision making:-** Planning helps in decision making by selecting the best alternative among the various alternatives. Planning also involves forecasting of future conditions. Thus planning guides decision making
6. **Planning establishes standard for controlling:-** It is said that planning without control is meaningless and control without planning is blind. Planning provides the basis for control. Through planning, management lays down standards of performance. If the actual performance is not as per standard, the management should take corrective action. Hence planning facilitate controlling

\*\*\* **Planning bridges the gap between the present and future**



### **FEATURES/ NATURE/ CHARACTERITICS OF PLANNING**

The following are the important characteristics of planning

1. **Planning is goal oriented:-** Planning involves selecting the objectives and developing steps necessary to achieve them. Unless objectives are known a manager cannot do any planning

## **2. Planning is the primary function of management( Primacy of management)**

It is the primary function of management because all other functions are performed within the framework of plan drawn. Without planning, there is nothing to organize, no one to coordinate and no need to control. Thus planning lays the foundation for other managerial function.

- 3. Planning is pervasive:-**Planning is required at all levels of management as well as in all departments of the organization. Managers at the top level prepare long-term plans for the organization as whole, managers at middle level formulate departmental plans and managers at lower level prepares operating plans.
- 4. Planning is Futuristic ( forward looking):-**Planning is looking ahead and preparing for the future. Planning is concerned with deciding in the present what has to be done in future.
- 5. Planning involves decision making:-**Planning is the process of choosing the best alternative among the alternative courses of action. There is no need of planning if there is only one way of doing things.
- 6. Planning is continuous :-** Planning is continuous and never ending process. Plans need to be modified or new plans are to be undertaken. Thus planning is a continuous process.
- 7. Planning is mental exercise:-** Planning is a mental exercise involving creative thinking and imagination. Planning requires a conscious determining of course of action on the basis of goals , facts and considered estimates. Thus planning is a process of thinking before doing.

## **LIMITATIONS OF PLANNING**

Although planning is beneficial for the organization, in actual practice it has many limitations. Some of the limitations are as follows

- 1. Planning leads to rigidity:-** Planning implies strict adherence to predetermined policies, procedures and programs. Thus planning limits the actions of people to be within the frame prescribes and therefore it is inflexible.
- 2. Planning doesn't work in dynamic environment:-** The business environment is dynamic, nothing is constant. Besides internal factors, external factors like political, legal, economic and technological situations may also adversely affect planning.

3. **Planning reduces creativity:-** Planning is an activity which is done by top management. Employees are required to work strictly adhering to the predetermined policies and procedures. It restricts the individual's skill, initiative and creativity.
4. **Planning is expensive:-** Planning is a costly process. A good deal of time, energy and money is involved in gathering of facts and testing of various alternatives. Small and medium size concerns cannot afford these.
5. **Planning is time consuming process:-** Planning is a lengthy process and hence it is time consuming. It causes delay in taking decisions.
6. **Planning does not guarantee success;-** The success of an enterprise is possible only when plans properly drawn up and implemented. Managers have a tendency to rely on previously tried and tested successful plans. But it is not always true because the scope of planning is limited in the case of organizations with rapid changing situations

#### **PLANNING PROCESS (STEPS IN PLANNING)**

Planning is deciding in advance what to do and how to do. The various steps involved in planning process are as follows

1. **Setting objectives:-** The first step in planning is setting objectives. Objectives are the goals which the management seeks to achieve. It must be specific and clear. The objectives should be for the organization as a whole and then must be broken down into departmental and sectional objectives
2. **Developing planning premises.-** Planning is done for the future , which is uncertain. Certain assumptions are made about the future environment. The assumptions are known as planning premises. It involves anticipation of future demands, competition, technology, economic conditions etc. Planning premises may be internal or external. It also can be controllable and non-controllable.
3. **Identifying alternative courses of action:-** The next step is to search for and examine alternative courses of action. Their probable consequences also be assessed.
4. **Evaluating Alternative courses:-** Evaluation of alternatives is the process of examining the benefits and defects of various alternatives . Generally the alternatives are analysed on the basis of costs, risks , benefits, after effects etc.
5. **Selecting the best alternative:-** After studying the advantages and limitations of all the alternatives the most suitable one is selected. In fact planning is the process of finding out this best alternative

6. **Implementing the plan:-** Implementation of plan means putting plans into action so as to achieve the objectives of the business. Proper implementation leads to the success of plan
7. **Follow up action:-** Follow up is essential to appraise the effectiveness of planning. This will help in detecting shortcoming and taking remedial measures well in advance. Monitoring the plans is equally important to ensure that objectives are achieved.

### **TYPE OF PLANS**

Plans can be classified into several types depending on the use and the length of the planning period. Planning can be classified into two broad categories

#### **1. Single use plan          2. Standing plan**

Single use plan and standing plans are part of the operational planning processes

#### **Single Use plan (ad hoc plan)**

A single use plan is developed for a onetime event or project or particular situation. That is non-repetitive in nature. It ceases to exist once the purpose is over.

Eg:-programmes, budgets, projects, strategies etc.

**Standing Plans:-** Standing plans are used repeatedly in situation of similar nature. They are made to achieve uniformity and unity of efforts. That serves as ready guides to action. Eg:- objectives, policies, procedures, rules etc.

### **OBJECTIVES:-**

Objectives are defined as ends with which the management seeks to achieve by its operations.

Objectives are 'goals established to guide the effort of the concern each of its components'. Objective indicates the destination of the organization. They serve as a guide for overall business planning. Eg:- increasing the sale of a product by 5%

### **STRATEGY :**

Strategy means a specific programme of action for accomplishment of enterprise goals. Strategies are plans made in the light of the plans of the competitors. This comprehensive plan includes three dimensions

Determining long term objectives

Adapting a particular course of action

Allocating resources necessary to achieve the objectives

Strategies are single use plans because they change frequently in accordance with market condition.

## **POLICY**

Policies are general statements formulated to provide guidelines in decision making to various managers. A policy tells the members of the organization how to deal with a particular situation.

Every executive has to honour policy and his decisions should not violate it.

Eg:

1. An enterprise may adopt a policy of employing only local people
2. Promotion is based on merit only.
3. It may have a policy not to employ any people over 60 years of age

## **PROCEDURE**

Procedure is a guide to action. They tell how a particular action is to be carried out. Procedure is a series of steps established to accomplish a specific project. It prescribes the exact manner in which the policies are to be implemented.

Eg: purchase procedure, procedure for recruitment.

## **METHOD**

Methods provide detailed and specific guidelines for day to day action. It explains how each step in the procedure is to be carried out. It deals with a best way to carry out a particular task. It is a standing plan

Eg: methods of wage payments like piece rate system and Time rate

## **RULES**

Rules are the prescribed guidelines for conducting an action. They specify what should be done or not to be done in a given situation. A rule is rigid and definite leaving no scope for discretion or deviation. They facilitate discipline and uniformity in action in the organization. Eg :

- I. No smoking
- II. No admission without permission
- III. Employees should report for work daily at 10 am

## **PROGRAMME**

Programme includes all the activities necessary for achieving a given objective. Programmes are the combination of policies, procedures, rules and budgets. It is action based and result oriented.

Eg:

- i. Manufacturing 1000 mobile phones in July 2015
- ii. Introducing a new product in the market
- iii. Opening 10 branches in the different part of the country.
- iv.

## **BUDGET**

‘A budget is a plan as a statement of expected results expressed in numerical terms’

### **-Koontz and O Donnell**

A budget is a plan for allocation of resources. It expressed in numerical terms such as rupees, product units and manpowers. It is an instrument both planning and control. Cash budget, production budget, sales budget and master budget are the important budgets in business.