Chapter - 4

Planning

→ Dreams can be turned into reality only if business managers think in advance on what to do and how to do.

Concept

Planning is deciding in advance what to do and how to do.

→ It is concerned with both ends and means i.e. what is to be done and how it is to be done.

Definition

→ Setting objectives for a given time period, (1) formulating various courses of actions to achieve them, (2) and then selecting the best possible alternative (3) from among the various courses of actions available.

Planning Process [remember it in sequence]

(i) Setting objective :- Objectives may be set for the entire organisation and each department or unit within the organisation

→ The first and foremost step is setting objective

→ Objectives have to precolate down to each unit and employees at all levels.

(ii) Developing premises :- Planning is concerned with the future which is uncertain. Therefore the manager is required to make certain assumptions about the future.

→ These assumptions are called Premises.
↳ are the base material upon which plans are to be drawn.

→ Accurate forecast therefore become essential for successful plans.

(iii) Identifying alternative courses of action :- All the alternative courses of actions should be identified.
→ The course of action which may be taken could be either routine or innovative.

(iv) Evaluating alternative courses :- The next step is to weigh the pros and cons of each alternative.

(v) Selecting an alternative :- This is the real point of decision making. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.

(vi) Implementing the plan :- The step is concerned with putting the plan into action i.e. doing what is required.

(v) Follow-up action :- To see whether plans are being implemented and activities are performed according to schedule.

Importance of Planning (DR SODI)

(i) Planning provides direction :- By stating in advance how work is to be done planning provides direction for action.

include three dimensions:-

(i) determining long term objectives
(ii) adopting a particular course of action
(iii) allocating resources necessary to achieve the objective.

dimensions

Policy

Policies are general statements that guide thinking or channelise energies towards a particular direction.

→ Policies provides a basis for interpreting strategy which is usually stated in general terms.

→ They are guides to managerial actions and decisions in the implementation of strategy.

→ Policy is the general response to a particular problem or situation.

→ Policies define the broad parameters within which a manager may function. The manager may use his / her descretion to interpret and apply a policy.

Procedures → Rountine steps on how to carry out activities.

→ They detail the exact manner in which any work is to be performed

→ They are specified in a chronological order.

→ They are generally meant for insiders to follow (1m)

→ The sequence of steps or actions to be taken are generally to enforce a policy and to attain a pre-determined objectives.

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creativity since people tend to think along the same line as others.

(iv) Planning involves huge costs :- When plans are drawn up huge costs are involved in their formulation. These may be in terms of time & money.

(v) Planning is a time consuming process :- There is not much time left for their implementation, sometimes.

(vi) Planning does not guarantee success :- 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.

Types of Plans

→ Short term horizon and help to achieve operational goals :-

→ Single use plan - A single use plan is developed for a one time event or project. They are for non-recurring situations. The duration of this plan may depend upon the type of the project

* Budget → Statement of expenses, revenue and income for a specified period.

→ Standing plan - A standing plan is used for activities that occur regularly over a period of time. It is designed to ensure that internal operations of an organisation run smoothly. It is usually developed once but is modified from time to time to meet business needs as required.

→ Single use and standing plan are a part of the operational planning process.

Operational Planning Process

Single use plan
→ Budgets
→ programmes
→ projects

Standing plan
→ Policies
→ procedures
→ methods
→ rules

→ Based on what the plans seek to achieve, plans can be classified as :-
- Objectives
- Strategy
- Policy
- Procedures
- Method
- rule
- Programme
- Budget

Objectives

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

→ Different departments or units in the organisation may have their own objective.

→ Objectives need to be expressed in specific terms i.e. they should be measurable in quantitative terms, in the form of written statement of desired results to be achieved within a given time period.

Strategy

Strategy is a comprehensive plan for accomplishing an organisation objective. This comprehensive plan will

(ii) Planning reduces the risk of uncertainity :- By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.

(iii) Planning reduces overlaping and wasteful activities :- → Planning serves as a basis of coordinating. the activities and efforts of different divisions, departments and individuals.

→ Useless and redundant activities are minimised or eliminated

(iv) Planning promotes innovative ideas :- It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity in the business.

(v) Planning facilitates decision making :- The manager has to evaluate each alternative and select the most viable proposition.

(vi) Planning establishes standards for controlling :- If there were no goals and standards, then finding deviations which are a part of controlling would not be possible.

Features of Planning [DCP of MP]

(i) Planning focuses on achieving objectives :- Planning has no meaning unless it contributes to the achievement of predetermined organisational goals.

(ii) Planning is primary function of management :- All other managerial functions are performed within the framework of the plans drawn.

(iii) Planning is Pervasive :- Planning is required at all levels of management as well as in all departments of the organisation.

(iv) Planning is continous :- Continuity of planning is related with the planning cycle → Plan is framed, it is implemented, and is followed by another plan, and so on.

(v) Planning is futuristic :- The purpose of planning is to meet future events effectively to the best advantage of an organisation.

(vi) Planning involves decision making :- If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice.

→ Planning presuppoes the existence of alternatives

(v) Planning is a mental exercise :- Planning requires application of the mind involving foresight, intelligent imagination and some judgement

Limitations of Planning

(i) Planning leads to rigidity :- These plans then decide the future course of action and managers may not be in position to change it.

→ Managers need to be given some flexibility to be able to cope with the changed circumstances.

(ii) Planning may not work in a dynamic environment :- Planning cannot forsee everything and thus, there may be obstacles to effective planning.

(iii) Planning reduces creativety :- Planning is a way reduces

Method → It provide the prescribed ways or manner in which a task has to be performed considering the objective.

→ The method may vary from task to task.

Rule → Specific statements that inform what is to be done.

→ They do not allow any flexibility or discretion.

→ Usually the simplest type of plan.

Programme → Detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.

Budget → Statement of expected result expressed in numeric forms

→ It is a plan which quantifies future facts and figures.

* Cash Budget → It is a basic tool in the management of cash. It is a device to help the management to plan and control the use of cash. It is a statement showing the estimated cash inflows and cash outflows over a given period.

→ Surplus or deficiency - inflow (-) outflow (cash budget)