

Planning



LEARNING OBJECTIVE

Through this chapter the students can learn about the following:

- To enable the students to understand the meaning of planning
- To make the students to understand why planning is important
- Help the students to know the steps involved in planning
- To acquaint the students about the types of planning

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2.1 Introduction

All the organisation whether it is Government or private, big or small, profit or nonprofit needs planning. Planning is the first and foremost function of

management. Management at all levels engaged in planning. Planning comprises of setting of objectives for organisation and developing a plan of action to achieve the organisational goal.

2.2 Meaning

Planning is the primary of all managerial functions. Planning means deciding in advance what to do, when to do it, how to do it, and who is to do it. It bridges the gap between where we are and where we want to go. It is the management function that involves setting goal and deciding how to achieve them in a best manner. It is an intellectual process of thinking before doing. Planning helps to see in advance those things that can help to achieve the goal. The basic objective of planning is to work in a systematic manner to achieve with maximum efficiency and to reduce risk. Planning is done at all levels of management, keeping past events as base for planning to attain the future goal.



Figure 2.1 Planning- meaning

2.3 Definition

According to G.R.Terry, “**planning is the foundation of most successful actions of all enterprises.**”

“**Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the predetermined goal-** Henry Foyal.

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

2.4 Nature of Planning (Characteristics or features of planning)

The following are the essential characteristics of planning:

1. Planning is a primary function of management:

The functions of management are planning, organising, staffing, directing and controlling. Planning is the first function in all levels of management and is involved in all management functions. So it is called as an essence of management.

2. Planning focuses on goals:

Planning is a process to determine the goal of the organisation. It lays down the ways to achieve the goals, in the most effective and efficient manner. It safeguard the business against idle time loss, loss due to surplus labour etc.

3. Planning is a function of all managers:

Planning is done by all levels of managers. Top level managers prepare long term plans for the business as whole, middle level managers prepare departmental plans. Lower level managers prepare to carry out the daily routine work.

4. Planning is an intellectual process:

Planning is a mental work; it is concerned with thinking before doing. It is an intellectual process, so it involves creative thinking and imagination.

5. Planning is a continuous process:

Planning is a continuous process and has no end. As far as business is concerned, planning, is needed as long as there are business activities. Once a plan period ends the next plan period starts. Thus planning is considered as continuous process.

6. Planning is future- oriented:

Planning is required to attain the future goals of an organisation, keeping past happening as basis for plans. Future is uncertain so the plan must be suitable to meet any changes (i.e.) fluctuating demand, unavailability of raw material, changes in government rules etc.

7. Planning involves Decision- Making:

Planning helps to make certain alternatives and to select the best out of the alternatives considering men, money, machines and materials.

department goal Organisational goals can be reached. Thus planning explains the responsibility of each individual, department and organisation. It provides scope for co-operation and co-ordination in organisation.

4. Helps Organising: It aids in organizing all resources available in the organisation properly i.e., men, material, machinery, and money. So the works can be done effectively and efficiently without delay. It also helps to show the relationship between the workers in the organisation.

5. Gives right direction: It shows right direction to reach the goal, and avoid wastage. Because of planning the goals can be reached without delay in the cheapest way. It helps to use the available resources to the maximum.

6. Keeps good control: Planning is the first function of management and controlling is the last function. Planning without control is useless and control without planning is meaningless. Thus planning provides the basis for control.

7. Helps to achieve objective: Once the objectives of the organisation is fixed, sub plans are prepared to attain the main goal. When employees follow the plan they are able to achieve the goal easily.

8. Motivation: planning helps to distribute work evenly throughout the year to every individual. Once the goal was set the employees will do their work without delay. They will be motivated to complete the work allotted to them. It helps to improve production.

2.5 Importance of planning

1. Increases efficiency: Planning increases efficiency of the organisation by doing right things at the right time. Because of planning the departments in advance can know the work to be done. It helps to increase the efficiency.

2. Reduces Risk: It reduces risk involved in business activities. Planning is for future use and future is uncertain. While planning future uncertainties, adequate provisions must be made to meet the same. So it helps to reduce risk.

3. Facilitates Co-ordination: In the organisation works are done by teams. Individuals want to attain the goals set for him. When individual works are grouped the departmental goal can be achieved. On integrating

9. **Encourages creativity and innovation:** It encourages creativity and innovation at the top levels. When ample space is given to the top level executives, they can try new methods to attain the goal and implement the quality ideas which they have.
10. **Helps decision making:** Several options are selected while making decision. Planning helps to select the best option among the alternatives, considering the available resources of the organisation.

2.6. Limitations of Planning

Although planning is a primary function and facilitates various other management functions, it has barriers and limitations. Some of them are given below.

1. **Expensive:** planning is a expensive process, because time, energy and money are involved in gathering of facts and testing of various alternatives. So, small organisations are unable to afford a formal planning progress.
2. **Rigidity:** planning restricts the individual freedom, initiative and desire for creativity, as it strictly adheres to predetermined policies and programmes.
3. **Uncertain:** Plans are meant for the future use, but future happenings cannot be accurately predicted. A sudden change in the policies of the government, loss due to natural calamities can destroy the plans, even though it is carefully prepared,
4. **Non-availability of data:** Planning needs reliable facts and figures. Planning loses its value unless reliable information's are available.

5. **People's resistance:** Resistance to change hinders planning. Planners often feel frustrated in instituting new plans, because of the inability of the people to accept them.
6. **Ignorance of subordinates' interest:** Plans are prepared to attain the organisational goal in the most effective manner; ignoring subordinates interest. So the employees work without interest or involvement, this affect the quality of work.

2.7 Essentials of a Sound Plan

Plans are formulated with a view to achieve organisational goals. A good plan will be one that enables the management to achieve its goals. A good plan should have the following essentials:

1. It should be simple and clear.
2. It should be easily understandable to the followers.
3. It should be prepared on the basis of clearly defined objectives.
4. It should cover all aspects that are needed for the fulfilment of the objectives.
5. It should be flexible to changing situations.
6. It should be as economical as possible.
7. It should be adaptable.
8. It should provide standards for the evaluation of actual performance.
9. It should provide a basis for decentralisation of its various activities.
10. It should guide decision-making.

2.8 Process or Steps Involved in Planning

A plan can help to avoid mistakes and to recognize hidden opportunities. Preparing a satisfactory plan is essential and the management should understand the planning process clearly what they want to achieve, and how and when to do it. Planning involves number of steps; the main steps of planning are as follows.



Figure 2.2 Process of planning

1. Aware of business opportunities:

It is necessary to analyse the internal and external environment to know the trends in near future. Business activities are influenced by Government regulations, technological changes, availability of raw material, labour etc. The business men have to look for opportunities by observing the business environment.

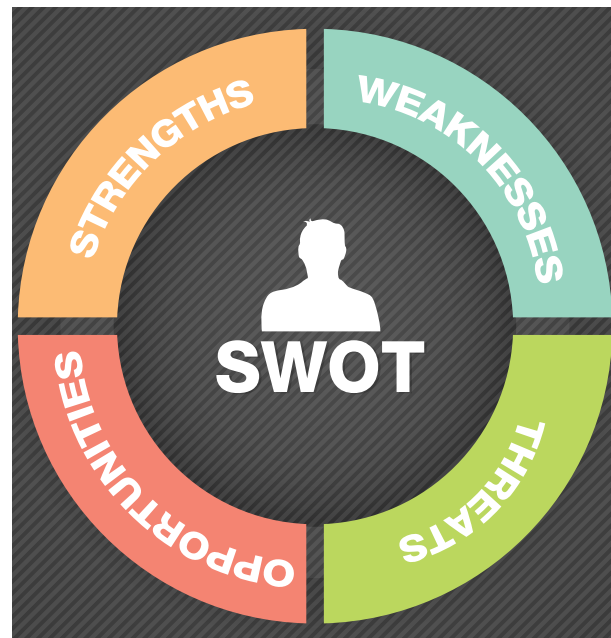


Figure 2.3 Tool to analyse the environment

2. Setting Objectives: plans are prepared with a view to achieve certain goals. so establishing the objectives is an important step in planning. The overall objective of the enterprise must be stated along with the specific objectives of individual department and divisions in the organisation. The objectives must be stated in measurable terms i.e., Percentage, Production, Sales, number of units etc.

3. Considering planning premises: Planning premises are the anticipated environment in which plans are expected to operate. As planning is for future, certain assumption about the future is uncertain. It is necessary to make assumption about the factors influencing internal environment and external environment. The factors which affect the plan must be identified and evaluated.

4. Identifying the alternative course of action: For doing a work there are always certain alternatives. The planners should study the entire

alternative, considering the strong and weak points of them and finally identify the most promising one to reach the goal.

5. **Evaluating alternative course of action:** once the alternative course of actions are identified, the next step is to evaluate the same. Evaluation means studying the merits and demerits of each alternative. Each alternative should be closely studied to determine its suitability.
6. **Choosing the best alternatives:** once the alternative courses of action have been evaluated the next step is to select the best. The alternative selected should help the organisation in making an optimum use of available resources and help to attain the objective set in the most effective manner.



Figure 2.4 Choosing the best alternative

7. **Formulation of supporting plans:** The main plan should be supported by number of supporting plans to attain the goal. Ex: Once the production plan is ready the supportive plans such as purchase of raw materials, tools, equipments, engaging workers etc, have to be formulated. Without supportive plans it is not possible to carry out the main plan.
8. **Implementation of plans:** Implementation of plan means putting the plans into action so as

to achieve the business objectives. After implementation of plans, it is necessary to ensure that the activities of the enterprises proceed in the right direction.



The Wright brothers, Orville and Wilbur were two American aviators, engineers, inventors, and aviation pioneers who are generally credited with inventing building and flying the world's first successful airplane. The idea for inventing Aeroplane was developed when they are young. In 1878 their father, who travelled of as a bishop in the church of the united Brethren in Christ, brought home a toy helicopter of his two younger sons. The device was made of paper, bamboo and cork with a rubber band to twirl its rotor. It was about a foot long. Wilbur and Orville played with it until it was broken and then built their own. In later years, the pointed to their experience with the toy as the spark and plan to fly in reality.

2.9 Types of Planning

Planning can be classified into different categories on the following basis.

1. Nature of Planning:

- (a) Formal planning
- (b) Informal planning

Formal planning: Officially recognized planning is known as formal planning. Formal plans are normally in writing. Formal Planning allows to manage the future and improves organisational productivity and increase profitability.

Informal planning: Informal planning will not be in writing. Informal planning will be effective only when the number of action is less.



2. Duration of planning:

- (a) Short term planning
- (b) Long term planning

Short term planning: The Period of short term plan is one year or less than one year. Short term plans are prepared in detailed manner. It must be formulated in a manner consistent with long term plans. Such plans may relate to the following matters:

- Purchase of raw materials.
- Preparation of budgets.
- Arranging the employees for training etc.,

Long term planning: The period covered by the long term plan is usually 5 to 15 years. The management and special planning officials prepare long term planning. Long term planning is also known as strategic planning. Some of the examples of long term planning are:

- Introduction of new product
- Changing the techniques of production
- Expansion of business

3. Levels of management:

- Strategic planning
- Intermediate planning
- Operational planning

Strategic planning: The strategic planning is the process of detecting overall objectives of the organisation, policies and strategies adopted to achieve the objectives. It is conducted by the top level management and may cover a time period of up to ten years.

Intermediate planning: Intermediate planning covers a period of six

months to two years. Intermediate planning is done by middle level management. They refine broad strategic plans into more workable and realistic plans.

Operational planning: Operational planning deals with the current activities. It keeps the business running. These plans are operated by the lower level management and conducted by supervisor, and it covers a period of one week to one year.

4. Use:

- Standing plan (repeated use plans)
- Single use plans

Standing plans: Standing plan is one, which is designed to be used again and again. They give guidelines regarding the activities that occur frequently. Objectives, policies, procedures, methods, rules, and strategies are included in standing plans. It helps the executives to reduce the workload.

Single use plan: Single use plans are used once for a particular circumstance. They are non-recurring and flexible in nature. Programme, budget, schedule are included in single use plan. It is also called specific planning.



SpceX's achievements include the first privately funded liquid propellant rocket to reach orbit in 2008 and first private company to launch an object into an orbit around the sun. spaceX is planning to develop its first Mars Landing Machine with NASA to land people to Mars.

2.10 Methods of Planning

Planning consists of several individual plans depending upon nature and scope it can be classified as follows:

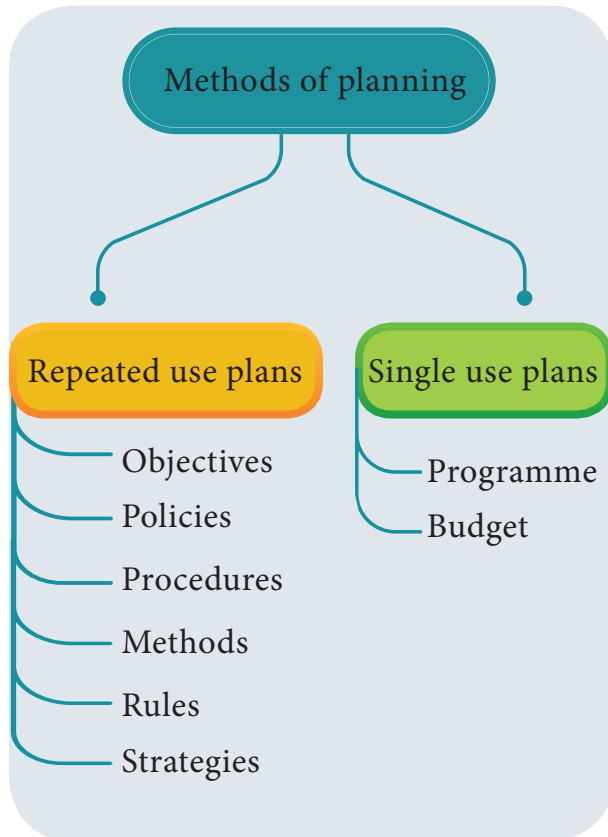


Figure 2.5 Methods of planning

Repeated use plans

These plans can be used again and again. The elements of standing plans are

1. Objectives:

Objectives are the end towards which the activities of an organisation are directed. For planning, objectives are essential. Planning has no meaning if it is not related to objectives. Objectives are useful for all managerial purposes. It is expressed in measurable statement in written form. For example, hire and fully train five new customer service staff members by June 30.

2. Policies:

Policies provide the framework within which the decision makers are

expected to operate while making the decisions relating to the organisation. They are the guide for thinking and the action of subordinate for attaining the goal. It shows the limit within which the organisational decisions have to be made. For example, an enterprise may follow a policy of selling its products only on cash basis.

3. Procedures:

A procedure will lay down the manner in which certain work has to be performed. It prescribes the sequence of operations to be carried out to complete a given task. For example, procedure is laid down in an organisation for purchase of raw material, selection of employees, etc.

4. Methods:

Methods specifies the way in which a particular step is to be performed, procedure tells the various steps to be taken to perform a particular task, but method tells how a particular step in the procedure is to be performed. The definition of a method is a system or a way of doing something. An example of a method is a teacher's way of cracking an egg in a cooking class.

5. Rules:

A rule specifies the people to do or not to do certain things. They are always rigidly enforced. For example, no smoking in working place, wear uniform in factory etc.,. There is always a fine or penalty for the violation of rules.

6. Strategies:

Strategy is a term which is normally used in battlefield for planning a military movement, handling of troops, etc. In business, strategy means



tactics adopted to counter competitor's actions. It is also concerned with meeting the challenges posed by the policies and the actions of the competitors in the market. For example, keeping prices low to attract more customers. Since profit margins are very low, the business must sell a lot of products to make money.

Single use plans:

Single use plan are used for a specific purpose only. As soon as the purpose is over the plan becomes useless. Programmes and budgets are the examples of single use plan.

1. Programme:

Programme specific the date and time by which the activities of the enterprise will be carried out. Programme may be major or minor in nature. For example, to sell 10,000 cycles by the end of the year is the sales programme of the company.

2. Budget:

A budget is the financial plan of a business. It is expressed in numerical terms. A budget is a plan you write down to decide how you will spend your money each month. A budget shows you: how much money you make? And how you spend your money?

Before preparing the budget, the past happenings, the present needs and future trends are taken into account. Budget is always prepared for specific period of time i.e., for a month, for half year or whole year. A budget helps you decide: what you must spend your money on? And if you can spend less money on some things and more money on other things. For example, your budget might show that you spend Rs.1000 on clothes every month. You might decide you can spend Rs.500 on clothes. You can use the rest of the money to pay bills or to save for something else.

CASE STUDY

Mr. Peter Manager of a tea factory is planning to expand his business, so that he has decided to purchase raw materials from Nilgiris, and to improve the production he planned to purchase a machinery cost Rs. Five lakhs. Though the factory was far away from the bus stop the employees want to walk for an hour to reach the factory. So he planned to purchase a van for the workers benefit which may improve production.

Questions

1. What type of plans Mr. Peter used in his factory?
2. What suggestions you would like to give Mr. Peter for his expansion?

Points to Remember

- **Concept of planning**
- **Features of good plan**
 1. Primary function
 2. Goal oriented
 3. Pervasive function
 4. Intellectual process
 5. Future oriented
 6. Planning is realistic
- **Importance of planning**
- **Limitations of planning**
- **Steps in planning**
 1. Aware of business opportunities
 2. Setting objectives
 3. Considering planning premises
 4. Identifying the alternative course of action
 5. Evaluating alternative course of action
 6. Choosing the best alternative
 7. Formulating supporting plans.
 8. Implementation of plans
- **Types of planning**
 1. Nature of planning
 - a. Formal
 - b. informal
 2. Duration of planning
 - a. short term
 - b. long term
 3. Levels of management
 - a. strategic planning
 - b. intermediate planning
 - c. operational planning
 4. Use
 - a. Standing plan
 - b. Single use plan
- **Methods of planning**
 - a. Objectives
 - b. Policies
 - c. Procedure
 - d. Rules
 - e. Strategies
 - f. Programmes
 - g. Budget

A-Z GLOSSARY

Afford	able to spare enough money , time etc.
Alternative	necessitating a choice between mutually exclusive possibilities.
Barrier	a barrier is a physical structure which blocks.
Creative thinking	thought for inventing and making of new kinds of things.
Evaluation	it is a systematic determination of a subject's merit, worth and significance using criteria governed by set of standards.
Expansion	process of becoming greater in size, number or amount.
Formulated	set out in detail.
Fluctuated	having unpredictable ups and downs.
Frustrate	make ineffective.



Hidden opportunities	unseen favourable chance.
Ignoring	fail to notice / ignorance is a state of being uninformed.
Influence	the power to make other people agree with your opinions.
Intellectual	involving a person's ability to think and to understand ideas and information.
Planning premises	anticipated environment in which plans are expected to operate.
Predetermined	its form or nature was decided by previous events.
Predicted	expected.
Primary function	first and foremost function.
Realistic	facing facts, based on facts rather than ideals.
Reliable	consistently good in quality or performance.
Sub-plans	plans which helps the main plan.

QUESTIONS

PART- A

Objective type Questions (1 Mark)

Choose the correct answer:

1. Planning is a ----- function of management.
a. secondary function
b. sub-function
c. primary function
d. alternative function
2. Planning----- of the organisation by doing right things at the right time.
a. increases efficiency
b. decreases efficiency
c. increases price
d. decreases price
3. Planning is acquired to attain the ---- goals of an organisation.
a. Present
b. past

- c. future
d. start up

4. Planning is the first function and --- ----- is the last function of management.

- a. organising
b. coordinating
c. directing
d. controlling



5. Plans are meant for future, it cannot be predicted accurately because future is -----.

- a. Uncertain
b. predetermined
c. informational
d. effective

6. -----are the anticipated environment in which plans are expected to operate.

- a. Planning premises
b. planning operation
c. planning assumption
d. planning alternatives.



7. Pervasiveness of planning indicates that planning.
- a. extends throughout the organisation
 - b. is a top management function
 - c. is the first element of management process.
 - d. Is future –oriented activity.
8. Long term planning covers a period of
- a. 5 to 15 years
 - b. Above 15 years
 - c. Below 15 years
 - d. below 5 years
9. Standing plan is otherwise known as
- a. single use plan
 - b. operational plan
 - c. repeated use plan
 - d. short term plan
10. Fine will be imposed for the violation of -----.
- a. rules
 - b. plans
 - c. policies
 - d. procedure
11. Strategy is the term derived from --- -----.
- a. sports
 - b. politics
 - c. business
 - d. military
12. ----- is expressed in numerical terms.
- a. objectives
 - b. programme
 - c. policy
 - d. budget

PART –B

Very Short Answer (3 Marks)

Answer in Five lines:

1. Define planning
2. What is planning premises ?
3. Define objectives.
4. What is a policy?
5. What do you mean by strategy?
6. What is budget?
7. What are repeated use plans?
8. What is meant by pervasiveness by planning ?

PART- C

Short Answer (5Marks)

Answer in one page:

1. What are the advantages of planning?
2. Bring out the limitations of planning.
3. Explain the steps to make planning effective.
4. Explain the types of planning on the basis of levels of management.
5. Explain the repeated use plans.
6. Explain the nature of planning.
7. Write the Essentials for a Sound Plan.

PART- D

Essay type Questions (10Marks)

Answer within three pages:

1. What is planning? Explain the basic characteristics of planning.
2. Discuss the various steps involved in the process of planning.
3. Write the various types of planning.
4. Explain the methods of planning.
5. You are appointed as the manager for a newly started textile business, What plans you will adopt to develop the business?

Activity

Teacher activity:

1. Teachers can ask the students how they are going to plan their life.
2. Can explain with stories how planning is important.
3. Give an assignment regarding “ students idea to start up a business”
4. Prepare a chart for methods of planning.

Student activity:

1. Can ask the students to write examples for types of planning.
2. Students can write assignment for process of planning.

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