

CHAPTER – 4

Planning

- ❖ **Meaning:** Planning involves ‘thinking and deciding in advance’ about ‘what is to be done’ and ‘how it is to be done’.
- ❖ **Definition:** Planning is the process of setting goals and objectives, formulating alternative courses of action and, finally, deciding an appropriate action from the various available alternatives. All this is done for a specific period of time.
- ❖ **Key terms in planning**
 - **Setting objectives:** Planning must pertain to a particular objective.
 - **Deciding the time period:** Planning must pertain to a specific period. That is, the goals and objectives as stated in the plans are to be achieved in a specific period.
 - **Formulating alternative courses of action:** For the achievement of any objective, there can be various alternative courses of action. These alternatives must be appropriately identified.
 - **Deciding a course of action:** From the various available alternatives, the best suitable one must be decided.
- ❖ **Importance of Planning**



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- 1) **Renders direction:** Planning clearly states the goals and objectives to be achieved, and guides the managers about what tasks are to be done and how they are to be done.
- 2) **Subdued risk:** Planning helps foresee the future. Various plans are formulated keeping in consideration the expected future events. Thus, planning reduces the uncertainty of unforeseen events.
- 3) **Minimised overlapping:** As the managers are familiar with the policies and plans, they coordinate the activities together to achieve the set objectives. This helps in reducing the overlapping of work.
- 4) **Helps in decision making:** By appropriately analysing future events and identifying and evaluating the various courses of action, planning helps in taking rational decisions.
- 5) **Essential for controlling:** By clearly stating the objectives that are to be achieved, planning sets the standards against which performance is to be evaluated, thereby helping in effective controlling.
- 6) **Promotes innovation:** The formulation of plans and policies is an intellectual process that requires creativity and innovation on the part of the managers.

❖ Features or Characteristics of Planning

- 1) **Focus on objective:** Plans must be formulated keeping in view the specific goals and objectives. In this regard, it must be ensured that the plans are purposeful.
- 2) **Stepping stone:** Planning forms the base for all other functions of management such as organising, directing and staffing. The functions of management are performed as per the set goals and objectives as stated under planning.
- 3) **Pervasiveness:** Planning must be done at all levels of the organisation. However, its scope differs along the various dimensions of the business concerned.
- 4) **Continuity:** Planning is a continuous process in the sense that after the implementation of a plan, the need arises for the formulation of the next plan, keeping in view the new objectives and goals.
- 5) **Choice making:** Planning involves identifying and choosing the best alternative course of action for the attainment of the desired objectives.
- 6) **Futuristic:** Planning is futuristic in the sense that it foresees the future, thereby helping to prepare for uncertain future events.

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❖ *Limitations of Planning*

- 1) **Rigidity**: Once a plan is formulated, the manager may not be able to change it. This rigidity creates hurdles when unforeseen changes come about.
- 2) **Lack of flexibility to deal with a dynamic environment**: Planning cannot help foresee the changes in the business environment and fails in times of changes and uncertainties.
- 3) **Reduced creativity**: Plans are made by only the top management, and the lower levels of management are not allowed to deviate from the pre-defined course. Thus, in the process, lower level managers tend to lose their creativity.
- 4) **Gigantic costs**: As planning is based on future predictions, it requires much thought, analysis, scientific calculations, etc., which are to be used for formulating a course of action. This involves high costs.
- 5) **False security**: Managers tend to rely on pretested plans. However, there is no guarantee that a plan that worked well in the past will be successful in the future. The plan may fail because of unforeseen changes.
- 6) **Time-consuming process**: Formulating a plan involves much research and evaluation, which requires time. As the planning process is time-consuming, actions may get delayed.

❖ *Planning Process*

The process of planning in an organisation involves the following steps.

- 1) **Setting the objectives**: The first step is to set specific goals and objectives for the organisation.
- 2) **Developing the premises**: Premises means assumptions regarding the future. For successful planning, the correct premises should be developed and proposed.
- 3) **Identification of the alternatives**: The next step is to carefully identify the various available alternative courses of action for the achievement of the objectives.
- 4) **Evaluation of the alternatives**: Evaluating the alternatives involves examining the pros and cons of each alternative based on their utility and the consequences.
- 5) **Selecting the best**: The best suitable option as per the objectives must be selected. Here, instead of opting for a single course of action, a combination of different routes may also be chosen.
- 6) **Implementation**: This step involves organising and directing the work according to the chosen path and policies.
- 7) **Follow-up Action**: Once the plans are implemented, a follow-up action is required to ensure the successful achievement of the objectives.

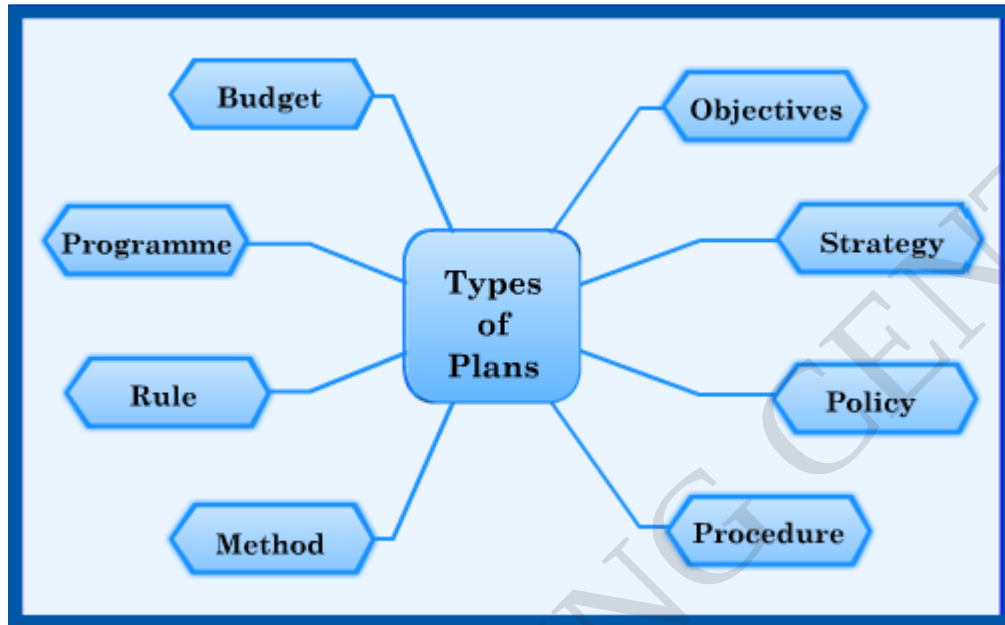


❖ Types of Plans

- 1) **Strategy:** A strategy is a comprehensive plan that includes determining the long-term objectives, adopting the required course of action and allocating the necessary resources.
- 2) **Policy:** A policy is a general statement that aims at channelling the efforts of the organisation in a particular direction. It forms the general response or a course of action to be followed in a particular situation.
- 3) **Procedure:** A procedure is a set of routine steps defined in a chronological order that are to be followed for the enforcement of a policy.
- 4) **Method:** A method defines the way or manner in which a particular task can be performed. It considers one step of an entire procedure and defines the step to be taken for the completion of the given task.
- 5) **Programme:** A programme is a detailed statement which includes the entire gamut of activities of a project and provides the broad framework of the business plans of the organisation.
- 6) **Objective:** An objective is the goal that a management desires to achieve. By stating the objective, the management broadly defines what is to be done.

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- 7) **Rule:** A rule refers to a standard or specific statement that gives information about what is to be done and what is not to be done. Rules are the simplest type of plans.
- 8) **Budget:** A budget refers to a numerically expressed financial statement that defines the targets to be achieved and the policies to be followed in a specific period.



❖ Differences between the Different Types of Plans

Basis	Policies	Strategies	Procedures	Methods
Meaning	They are general statements that channel the efforts of individuals in order to achieve the defined objectives.	They are comprehensive plans that provide broad contours of a business to accomplish the desired goals.	They are routine steps defined in a chronological order that are to be followed for the enforcement a policy.	They consider one step of a procedure and define the step to be taken for the completion of the given task.
Nature	Less flexible	Flexible and temporary	Rigid	Flexible
Focus	Carrying out the routine functions in a prescribed manner	Defining the long-term scope of business and solving challenging problems	Enforcing a policy to attain organisational objectives	Completing the given task efficiently

<i>Basis</i>	<i>Rule</i>	<i>Objectives</i>	<i>Programme</i>	<i>Budget</i>
Meaning	They are specific statements that define what all is to be done.	These are goals that a management desires to achieve.	They are detailed statements that include the entire gamut of activities.	They are financial statements that define the targets and policies to be achieved within a specified period.
Nature	Rigid and permanent	More or less rigid	Less flexible	Rigid
Focus	Specifying what is to be done and what not	Spelling out general and broad issues	Giving the plan details to attain the objectives	Quantifying future facts so as to compare deviations