

Lesson:-04

Planning – Part I

Objectives of the lesson

After studying this lesson, you should understand:

1. The needs for planning
2. The different types of planning
3. The principles of planning
4. The steps in planning

Needs for planning

As we saw in the beginning i.e. in Lesson 1, ‘management’ had begun as people started forming groups to achieve their goals. They were quick to realize that managing is necessary to ensure proper coordination of all the individuals in the group. If the group effort is to be successful then its every member must know exactly what is expected of him. This is the fundamental function of planning. This is a basic function of the manager. Planning is the most crucial part of the functions of the manager. The importance of planning cannot be over emphasized. It has been rightly said, “Failure to plan is planning to fail”. Most of the organisations very often fail due to poor planning. Whatever be the resources one may have, without planning one cannot move ahead.

Planning is determining the objectives and formulating the methods to achieve them. It is more simply said than done. A job well planned is half done. During planning one need to ask oneself the following:

- What am I trying to accomplish? i.e. What is my objective?
- What resources do I have and need to accomplish the same?
- What are the methods and means to achieve the objectives?
- Is this the optimal path?

Good and effective managers are positive in their approach and are optimistic and yet prepare themselves for the worst. Though one cannot foresee the future but should learn anticipate. No one can wait till the problems develop before preparing to tackle them. This is rather being *proactive*. And **proaction** is an essential ingredient of planning.

Planning needs choosing the best course of action among many alternatives and decision making. If one is left with no alternatives then there is no scope for planning i.e. choosing. It is essentially an intellectual process requiring knowledge, experience and intelligence.

Planning is needed to make things happen or to cope up with the changes, otherwise, one has to simply be spectator and watch things happen.

Types of planning

We have seen that planning is essential for the success and survival of any organisation. One should also understand that there exist many different types of plans. One can plan effectively only if one understands the different types of plans and its purposes. Plans can be classified as

- a. purposes or missions,
- b. objectives,
- c. strategies,
- d. policies,
- e. procedures,
- f. rules,
- g. programs and
- h. budgets.

Purpose or Mission of an organization is *its basic function*. Like the purpose of the university is teaching and research, that of Courts is the interpretation of laws and their application and so on.

Objective is *the ultimate goal* towards which the activities of the organisation are directed at. Like, say we take the University for example again, teaching, research and enlightening the students are the objectives of the university, whereas, the objective of the Examination Department of the university is to conduct the exam in a fair and reliable manner and declare the results in time. Though the objectives of the departments are different they are consistent with the Purpose. One department alone is not capable of accomplishment of the Purpose.

Strategy is, in George Steiner's words, "the process of determining the major objectives of an organisation and the policies and programmes that will govern the acquisition, use and disposition of resources to achieve those objectives". In other words strategy is the general program of action and deployment of resources to attain comprehensive objectives. Thus, an entrepreneur needs to decide what kind of business he is going to do? A strategy may also be policy such as selling on cash only. Treatment of strategy as a type of plan is justified by its usefulness in practice and importance in guiding.

Policy – Koontz et al define it as "general statement or understanding which guide or channel thinking in decision making". Policy defines an area within which a decision is to be made and ensures that the decision will consistent with and contribute to the objective.

Procedure is a subdivision of policy. It states a series of related steps or tasks to be performed in a sequential way. In common parlance it is called ‘Standard Operating Procedure’ (SOP).

Rule is also a plan that prescribes a course of action and explicitly states what is to be done under a given set of circumstances. Take note to observe the differences in rules, procedures and policies. Whereas the policies are guide to decision making and allow the managers to use their discretion, rules and procedures allow no such discretion.

Programme is a broad term. Terry and Franklin define it as a “comprehensive plan that includes future use of different resources in an integrated pattern and establishes a sequence of required actions and time schedules for each in order to achieve stated objectives”. Thus a programme includes objectives, policies, procedures, methods, standards and budgets. Launching of a satellite is a programme.

Budget is a statement of expected results expressed in numerical terms. It is a quantitative expression of a plan. It varies in accuracy, detail and purpose. Master budget contains the consolidated plan of action of the whole enterprise and is in a way the translated version of the overall business plan of the organization. Production budget is the plan of the production department and capital expenditure budget, raw, material budget, labour budget etc are budgets of the production department. Some budgets vary according to the organisation’s level of output; these are called *variable* or *flexible budgets*. Government departments prepare *programme budgets* in which the agency and the departments identifies goal, develops detailed programmes to meet the goals etc. A combination of the variable and the programme budget is the *zero-base budget*. In this approach the programmes are started as though from scratch or zero base.

Principles of Planning

One should keep in mind the following principles while planning in order make it effective.

Take time to plan. Plan in haste and repent in leisure? No. You may save some time in quickly developing a plan. But, in the event of things going wrong, if you have not considered all the factors in a hurry, you are under pressure of both the time and resources. This is sure recipe for trouble – not only for you, but also for the organization.

Planning can be top to down or bottom to top. Generally, the top management of the organization prepares plans. However, some times the plans are evolved from the information coming from the lower levels. These are called bottom to top approach.

Involve and communicate with all those concerned. Such an exercise commits people concerned with the achievement of goals. Participation in the process of planning gives a sense of pride and binds them to the objectives.

Plans must be flexible and dynamic. Vision is the art of seeing things invisible. So too are the plans. They should include the factors unexpected or atleast should have enough scope for maneuvering in the event of an unforeseen change in the environment.

Evaluate and revise. Evaluate the plans at regular intervals to make sure that it is contributing to the objectives in the expected manner.

Steps in planning

There is no fixed formula or methods for planning. It is carried out as per the need of the organisation. However one would broadly follow the following steps in planning.

The first step is **determining the goals or objectives** for the entire organisation. If one fails to set correct or meaningful goals then one cannot make effective plans. Although goal setting is the first step in planning, the real starting point is the identification of the opportunity or the problem itself. This is very important because the manager should know where they are, what opportunities or problems they wish to handle and why and what they expect to gain.

The second step is **determining the planning premises**. Planning premises in simpler words is the assumptions that are made about the various elements of the environment. It is important for all the managers involved in planning to agree on the premises. *Internal premises* include sales forecasts and policies of the organisation. *External premises* are those factors that are out side the orgainisation such as technological changes, general economic conditions etc.

The third step would be to **decide the planning period**. While operational planning focus on the short term, the strategic plans focus on the long term.

The fourth step in planning is to **search for and examine alternative courses** of actions. There is rarely a need to plan for where there exist no alternatives and generally an alternative that is not obvious proves to be the best.

The fifth step is **evaluating the alternatives**. After having identified the number of alternatives and examining their strong and weak points it is logical to evaluate them against the planning premises and objectives.

The sixth step is the real point of decision making. Here, from the many alternatives available a one is chosen i.e. **the plan is adopted**.

The seventh step is to make **derivative plans**. The plan chosen after a through analysis is seldom complete without derivative plans. The plan, to make it operational, is split into departmental plans. Plans for the various operational units within the departments have to be formulated. The plans thus developed for the various levels down the organisation are called derivative plans.

After the decisions are made and plans are set and are rolling, in order to reach the desired goal the plan has to be **reviewed periodically**. Such a review helps in taking corrective action, if necessary, when the plan is in force.

We have now understood planning, the need for planning, different types and the steps involved in planning. In our next lesson we shall discuss the intricacies of strategic planning.