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Nature of Planning In Management

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Planning: A Rational Approach

Planning is a methodical strategy to determining where one is, where one wants to be in the future, and how to get there. A rationalist manager selects acceptable measures to achieve the given goals. The logical method bridges the divide between current and future states. The time interval between T1 and T2 might be as long as 5 years or as little as one year (Figure 4.1). The intended and actual outcomes are often defined in terms of goals, which may be attained by a single action or collection of activities. The acts needed resources, and the logical approach emphasises resource allocation [1], [2] .

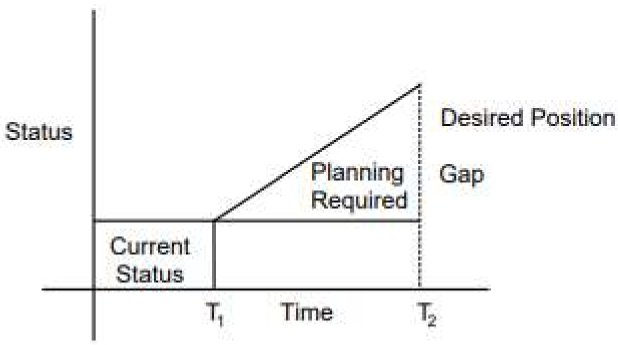

Figure 4.1 Represent the Planning for bridging current & desired.

Planning: An Open System Approach

Since it receives input from the environment and outputs to it, an organisation is an open system. Planning should use an open system approach. According to the open system approach, the difference between present and desired status, as well as the action necessary to bridge this gap, is impacted by a number of environmental, economic, legal, political, technical, socio-cultural, and competitive aspects. These variables are dynamic and fluctuate over time. As a result, managers must consider the dynamic elements of the environment while using an open system strategy.

Flexibility of Planning

A plans flexibility refers to its capacity to alter course in response to changing circumstances without incurring unnecessary expense. Plans must be adaptable in order to respond to changes in technology, market, financial, human, and organisational elements. But, flexibility is only achievable within limitations since it incurs additional costs. The advantage of flexibility may not always be worth the expense.

Pervasiveness of Planning

Planning is all-encompassing and spans across the company. Planning is the basic management activity and every boss irrespective of position, has a planning role to undertake within his own area of operations. High management is accountable for the organizations overarching goals and actions (Figure 4.2). As a result, it must determine what these goals ought to be and the methods to attain them. Similarly, a department head must develop his departments goals within the context of the organizations objectives, as well as the strategies for achieving them [3], [4].

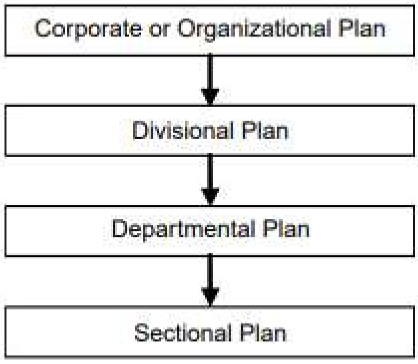

Figure 4.2 Represent the Planning at various levels.

Importance of Planning

Planning is critical in all sorts of organisations, whether they are for profit or not, private or public, small or huge. The organisation that thinks far ahead about what it can achieve in the future is more likely to prosper than one that does not. Without preparation, corporate decisions would be haphazard and impromptu.

Planning is essential for the following reasons.

(1) **Planning Comes First:** Planning is the first and most important function of management; all other functions come after it. What hasn't been planned can't be structured or managed.

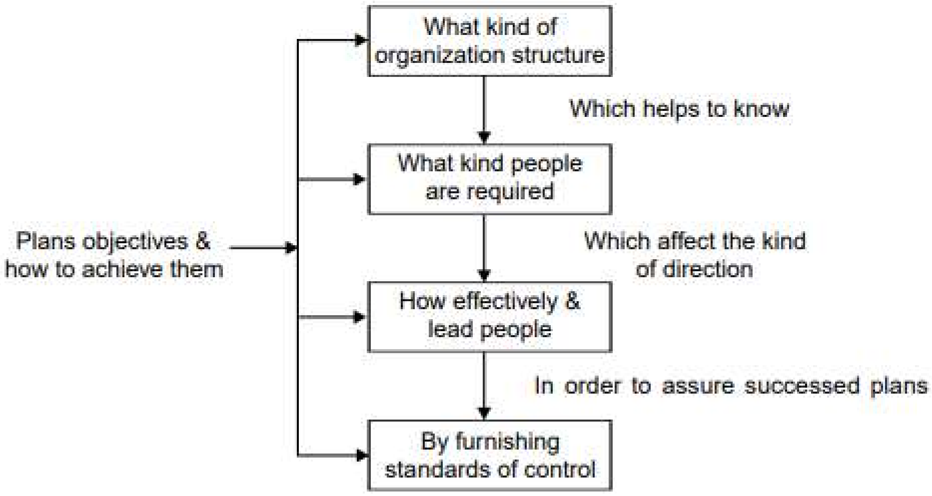

Figure 4.3 Represent the Primacy of planning.

2 Reduce Risk and Uncertainty: The organisation constantly interacts with the external dynamic environment, which is fraught with risk and uncertainty. In this shifting dynamic world, where social and economic situations change frequently, planning assists managers in dealing with and preparing for change (Figure 4.3). Managers may decrease risk and uncertainty by employing logical and fact-based decision-making procedures.

3 To Concentrate Attention on Goals: Planning concentrates attention on organisational objectives and the course of action to achieve these objectives. It enables managers to properly utilise and organise all organisational resources in order to achieve goals. The whole business is compelled to adopt similar objectives and work together to achieve them.

4 To Facilitate Control: Planning establishes objectives and devises strategies to attain them. These objectives and strategies serve as the criteria or benchmarks against which actual performance is judged. Control entails measuring actual performance, comparing it to standards, and taking remedial action if there is a divergence. Control ensures that the action adheres to the plan. As a result, if there are plans, control may be exerted.

5 To Boost Organisational Effectiveness: Effectiveness indicates that the organisation is able to fulfil its goals within the available resources. The resources are allocated in such a manner that they contribute the most to the corporate goals. Success is the result of effectiveness.

Types of Planning

Whilst the underlying planning process is the same, there are numerous methods in which an organisation might go about planning. Planning may be characterised based on the activities covered, the relevance of the items in planning, the technique used in the planning process, the time dimension, and the degree of formalisation in the planning process. Corporate and functional planning: Corporate planning refers to planning efforts at the corporate level that span all organisational operations. The goal of corporate plan is to establish long-term goals for the organisation as a whole and to develop strategies to attain those goals while keeping the changing environment in mind. This corporate planning serves as the foundation for functional planning. Functional planning, which is developed from corporate planning, is carried out for each key function of the organisation such as production, marketing, finance, and so on. Since functional planning is derived from corporate planning, it should contribute to corporate planning.

Strategic and operational planning: Strategic planning establishes the organizations future course of action. Strategic planning requires a time horizon of more than one year, which for most organisations is between three and five years. Examples of strategic planning include company expansion into new lines, targeted sales growth rates, and so on. Operational planning, also known as tactical planning, on the other hand, entails determining the most efficient use of resources that have already been assigned to meet organisational goals. In operational planning, the time horizon is smaller than a year. Strategic planning is followed by operational planning. Examples of operational planning include adjusting output within available capacity but rather boosting operational efficiency via historical analysis. Long term planning is strategic in nature, including more than one year and may span 15 to 20 years. Short-term planning typically spans one year. Short-term plans are developed in conjunction with long-term plans since short-term plans contribute to long-term plans.

Proactive and reactive strategies: Planning is an open system approach and so it is impacted by environmental elements which keep on changing continually. The organization’s reaction to these developments varies. Based on these answers planning may be proactive and reactive. Proactive planning entails devising appropriate courses of action in advance of anticipated changes in the environment. Managers who implement proactive adjustments do not wait for the environment to change; rather, they move in advance of environmental changes. Continuous scanning of the surroundings is required for this. Response occurs when environmental changes occur in reactive planning. There may be other changes in the environment by the time the organisation reacts to the change in the environment. As a result, this style of planning is appropriate in an environment that is relatively constant over a lengthy period of time.

Big companies plan in a formalized manner. At a higher level, a distinct corporate planning cell is usually developed. Depending on the nature of the cell, it is manned by professionals from various disciplines such as engineers, economists, statisticians, and so on. The cell constantly scans its surroundings. As the environment changes, the cell analyses it and suggests appropriate methods to take advantage of the changing environment. This style of planning is logical, methodical, consistent, and properly documented. Smaller groups, on the other hand, are more likely to engage in informal planning. Rather than a scientific study of environmental changes, this planning approach is based on the managers experience and intuitions. This planning procedure is a regular exercise for managers and is appropriate for small firms.

Types of Plans

plans are categorised as standing plans or single use plans. Standing plans are utilised throughout time to offer guidance for future course of action. Standing plans are created for circumstances that occur often enough to warrant standardisation. A bank, for example, creates a standing plan to execute a loan application. With this standing plan the bank manager determines whether to accept or refuse a loan application based upon the facts given by the applicant. Once developed, these plans remain in effect for an extended length of time until altered (Figure 4.4). Organizational mission, long-term objectives, strategies, policies, procedures, and regulations are examples of such plans. Single use plans, on the other hand, are developed for a certain purpose; once that end is accomplished, the plan is dissolved or reformulated for the next end. Projects, budgets, quotas, and objectives are examples of such plans. Standing plans are often used to create single-use layouts. Organizations define their purpose and goals, which guide their strategic activities. Projects, budgets, and so on are created for specified time periods in order to put these initiatives into effect.

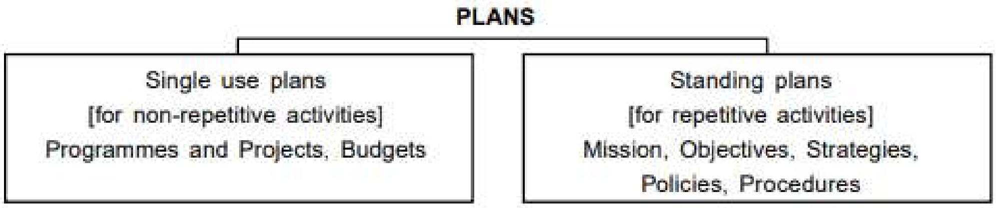

Figure 4.4 Represent the Types of plans.

Mission and Purpose

The setting of organisational goals is the beginning point for management initiatives. Every organisation is a deliberate formation with certain goals in mind; the ultimate outcomes for which the organisation strives. These outcomes are referred to as mission, purpose, goal, objective, and other terms that are sometimes used interchangeably. Yet, there are variances in how these words are employed in the competition. Enterprises in any social system have a fundamental role or job that society assigns to them. The mission or purpose of an institution, such as a university, specifies its core function or duty. Mission and purpose are often used interchangeably, however there is a theoretical distinction between the two. The purpose is externally focused and connects the company to the society in which it functions. A mission statement connects the operations of an organisation to the requirements of society and legitimizes its existence. Purpose is likewise externally centres, but it connects the firm to the section of society it serves; it specifies the business that the corporation will do.

Objectives

Every organisation is formed with the intention of attaining particular goals. A person who establishes a company has the purpose of producing profits. A chartable entity that establishes schools and colleges with the goal of providing educational services to the public. While goals change from one organisation to the next, each organisation has its own goal. Objectives are the objectives, ambitions, or purposes that organisations aspire to attain across varied time periods, writes Mc Farland. A management aim is the planned goal that provides clear scope and gives direction to a manager's activities, says George R Terry. The word objective refers to the end goal of a management programme for which a company is founded and strives to attain [5]–[7] . The following features may be found in objectives.

There are Several Objectives: Every commercial firm has a set of goals in many critical areas. Peter Drucker highlighted the need of defining goals in eight essential areas: market position, innovation, productivity, physical and financial resources, profitability, management performance and development, worker performance and attitude, and public duty.

Goals May Be Either Concrete or Intangible: Certain goals, like as productivity, physical and financial resources, are palpable, but others, such as management performance and worker morale, are wholly intangible.

Priority Is Assigned to Objectives: At any particular moment, one aim may be more significant than another. Maintaining a minimum cash balance, for example, is more essential than paying on the due date.

Generally, Objectives are Organized in a Hierarchical Order: It suggests that the organisation has corporate goals at the top and divisional, departmental, and sectional goals at the bottom.

Objectives Sometimes Clash: An aim of one department may conflict with the objectives of another. For example, the aim of achieving cheap unit cost via mass manufacturing of poor quality items may clash with the sales departments goal of selling high quality products.

Strategies

Every business must construct plans logically from objectives while taking into account environmental opportunities and dangers, as well as organisational strengths and weaknesses.

A strategy is a plan that takes these aspects into account and creates the best possible fit between the organisation and its external environment. In strategy formulation, two actions are involved: environmental evaluation and business appraisal. Environmental assessment entails identifying and analysing the following factors:

Political and Legal Factors: government stability, taxes and licensing regulations, budgetary policies, capital limits, and so forth.

Economic Factors: Economic growth, personal income distribution, pricing trends, currency rates, and so on.

Competitive Factors: Locating and analysing key rivals.

The process of discovering and assessing a company’s strengths and weaknesses is known as corporate analysis. A company’s strength, for example, may be low-cost production, good product design, efficient distribution, and so on. One of its weaknesses might be a lack of physical and financial resources. A corporation must prepare to maximise its strengths while minimizing its weaknesses. Strategy formulation is analogous to preparing for a beauty pageant in which a woman attempts to accentuate her strong aspects while concealing her weak ones. SWOT analysis is the process of aligning a company’s strengths and weaknesses with environment in which it operates.

Standing Plans

A policy is a broad set of guidelines for making decisions. It establishes limits around choices. Policies direct the thinking of organisational members so that it is compatible with the organizations goals. Policy is a spoken, written, or inferred overarching guidance, putting up boundaries that offer the basic bounds and paths in which administrative activity will take place, writes George R Terry. While policies address how to accomplish the task, they do not impose conditions on subordinates. They just serve as a framework for management to make judgements in many areas. As a result, a company may have a recruiting policy, pricing policy, marketing policy, and so on.

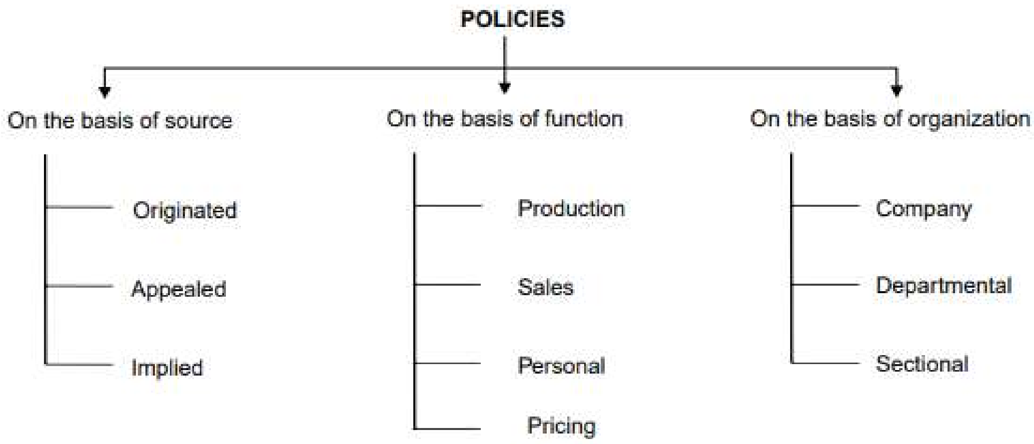

Figure 4.5 Represent the Classification of policies.

Policies that are created officially are known as originated policies (Figure 4.5). These policies are developed by senior executives to guide the choices of their subordinates as well as their own, and they are made accessible in the form of manuals. Policies that are appealed are those that result from a subordinate's request to his superior for guidance on how to handle a certain scenario. When the supervisor rules on subordinates appeals, the rulings create precedents for future action. For example, a bookstore provides a 10% discount on all textbooks. Assume an institution demands a 15% discount and is willing to pay the whole price in advance. The sales manager, unsure what to do, may seek assistance from his supervisor.

If the superior approves the 15% discount suggestion, the superior's choice becomes a guideline for the sales manager in the future. This policy is an appealing policy since it is the result of a subordinate's appeal to the superior. Policies that are not specified in paper or orally are known as implicit policies. The existence of implicit rules may be determined by observing different superiors real conduct in certain scenarios. For example, if the company's living quarters are consistently assigned to workers based on seniority, this may become implicit policy. Policies may be categorized according to their business function, such as production, sales, finance, or personnel policies. Each of these functions may have many policies. For example, the personnel function may have recruiting policy, promotion policy and finance function may have policies relating to capital structure, dividend payment etc., Policies at the organizational level may vary from big corporate policies to significant departmental policies to minor or derived policies that apply to the smallest component of the organization.

Procedures

Policies are implemented by more precise rules known as procedures. A process is a precise collection of instructions for carrying out a series of activities required to complete a specific piece of work. A protocol is a series of methodical procedures for managing tasks that occur routinely. Every time that action is conducted, the same steps are taken. A streamlined, simple, and sound technique aids in the acceleration of clerical work while avoiding duplication and loss of time and other resources. An example might be used to show the distinction between policies and procedures. A company's labour department may implement a policy of centralised recruiting and selection.

The labour department may design the recruiting and selection process. The method may include numerous phases such as soliciting applications, conducting preliminary interviews, administering aptitude and other exams, conducting a medical examination, and issuing appointment orders. The following are some of the benefits of processes.

- **i.** They denote a conventional method of carrying out a work.
- **ii.** They result in waste reduction and simplicity.
- **iii.** Process increases employee efficiency.

iv. Process acts as a control tool by allowing managers to assess the performance of their employees.

Steps in Planning

The planning process differs from one plan to the next and from one organisation to the next. The following are the general stages involved in planning:

1 Determining Corporate Goals/Objectives: The first stage in the planning process is to define enterprise goals/objectives. Upper-level managers establish these after carefully considering a variety of goals. The target set is determined by a variety of criteria such as the organizations' purpose, capabilities, and so on. After the determination of the organization's goals, sectional or departmental objectives are developed at the lowest level. Establishing the goals of each department is critical; only clear-cut guidance is provided to the departments. If the goals are well specified, the control procedure is extremely simple.

2 Establishing Planning Premises: The second phase in planning is creating planning premises, which are the circumstances under which planning activities will be carried out. Planning assumptions are predicted environmental elements, relevant facts and knowledge about the future, such as general economic circumstances, demographic trends, competitive behaviour, and so on. The following are the planned premises:

1. Premises both internal and external.
2. Premises that are concrete and intangible.
3. Premises that are controllable and those that are not.

Internal and External Premises: Premises may be found both within and outside the firm. Internal premises include sales predictions, the organizations capabilities in the form of machinery, design processes, owner and staff conduct, and so on. Outside the company are the general commercial and economic climate, technology advances, government laws and regulations, population increase, and so on.

Premises, Both Material and Intangible: Quantifiable premises are those that can be measured. Population increase, industrial demand, money and resources spent, and so on are examples. On the other hand political stabilities, societal elements, attitudes and conduct of the owners etc., are intangible foundations.

Controllable and Non-Controllable Premises: Some of the planning premises are controllable and others are non-controllable. Non-controllable elements include strikes, wars, natural disasters, laws, and so on. Due of the existence of uncontrollable elements, organisations must change plans on a regular basis to reflect current developments. Controllable elements include the availability of resources, the competence of management and workers, and so on.

3 Choosing a Planning Period: After determining the long-term goals and planning premises, the next stage is to determine the plans duration. Some plans are formed for a year, while others are set for decades. Businesses often build their timeframe on a fairly foreseeable future.

Lead time in development and marketing of a new product: An aero plane construction firm seeking to launch a new project should have a planning period of five to ten years, but a small producer of spare parts who can commercialize his concept in a year or so creates yearly plans [2], [8], [9].

Time necessary to recoup capital investment, commonly known as the payback time: The payback duration has an impact on the planning period. For example, if a machine costs 50 lakhs and produces cash inflow of Rs. 10 lakhs a year, it has a payback time of 5 years. As a result, the plans should be at least five years in length.

Duration of Previously Made Obligations: The plan period should be lengthy enough to allow for the fulfilment of previously made promises. For example, if a corporation has pledged to deliver items for five years, it must prepare for the same time period in order to meet its obligations.

4 Alternatives Identification: The fourth phase in planning is to find alternatives. Several activities may be taken to reach a certain goal.

For example, an organization's goal may be to expand further, which may be accomplished in a variety of ways such as growing in the same sector of business or product line, diversifying in other areas, collaborating with other organisations, and so on. There may be multiple options in each category. Diversification, for example, may indicate the prospect of joining one of various fields.

5 Alternative Evaluation and Selection: After the alternatives have been discovered, the next stage is to analyses the alternatives in light of the premises and objectives and choose the best route or courses of action. This is accomplished via the use of quantitative approaches and operations research. There are many software applications available for assessing options.

6 Creating Derivative/Supportive Plans: After a plan is chosen, additional plans are created to support the original plan. The derivative may be intending to purchase equipment or raw materials, for example. These subsidiary plans are derived from the primary plan and hence provide assistance.

7 Monitoring and Regulating the Process: A plan should not be let to operate on its own without being monitored. Management must monitor the progress of their plans in order to take corrective action or revise the plan if it is unreasonable. As a result, the act of controlling is an essential component of every strategy.

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