

Principles of Management

Chapter:- Planning

B.COM (SEM:-I)

Planning is considered the first primary function of management. In this function, managers define the organizational goals and allocate resources of the organization to achieve such goals. So planning will also define all the future functions of management.

So in essence business planning comprises of setting objectives for the organization and developing a plan of action to achieve these objectives. Once the objectives are set, the managers and workers can have a clear vision of what to work towards.

A planner has to think about the following aspects:-

(a) What is to be done?

(b) How is it to be done?

(c) When is it to be done?

(d) By whom is it to be done?

Importance of Business Planning

1] Planning provides a sense of Direction

2] Planning reduces Uncertainty

3] Planning reduces Improvidence

4] Planning invokes Innovation

5] Makes Decision=Making Easier

6] Establishes Standards

Limitations of Planning

1] Rigidity

2] Not ideal in Dynamic Conditions

3] Planning can also reduce creativity

4] Planning is Expensive

5] Not Completely Accurate

Steps in Planning:-

Conceived as a process, planning embraces a series of steps:-

- (i) The determination of objectives to be sought;
- (ii) Research to understand the problem;
- (iii) The discovery of alternative solutions;
- (iv) Policymaking . Choosing between alternatives, including the frequent choice of doing nothing;
- (v) The detailed execution of the chosen alternative known in physical planning as layout or design.

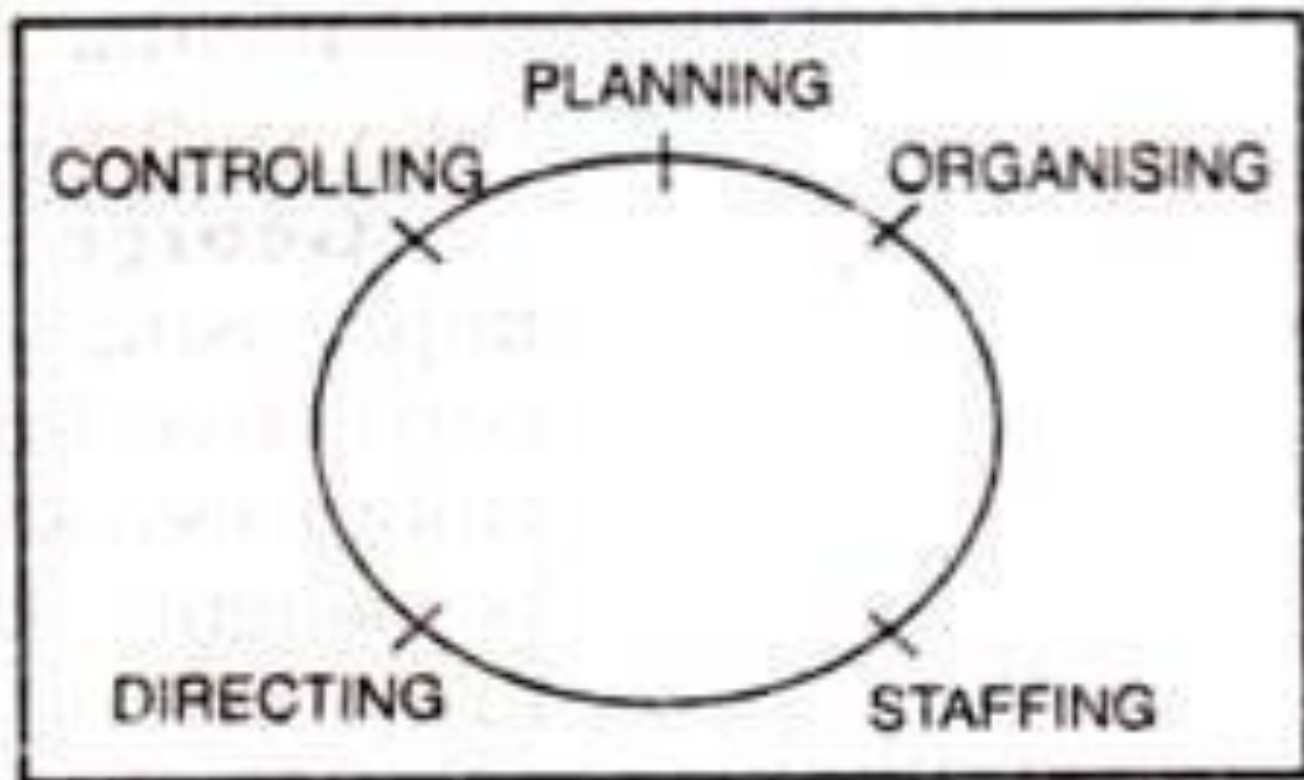
Characteristics of Planning

1. Planning, an Intellectual Process:

Planning is intellectual in nature; it is mental work. The facts relevant to the situation are related to the manager's experience and knowledge. A planner must visualize the situations likely to develop in future. He should develop a future course of action to be taken for implementation of plans.

2. Primacy of Planning:

Planning is the first function of a planner. Other functions like organizing, staffing, directing, controlling, etc. are followed by planning. Without planning no other function can be performed.



3. All Managers Plan:

Every manager in an organization has a planning function to perform. It may also be said that planning is a fundamental managerial function. The pervasiveness of planning is generally over-looked. It is felt that planning is done at top levels only. This may be true to certain extent that people at top level devote most of their time to planning than the managers at middle and lower levels of management but every manager at his level of activity has to plan his activities. The degree, importance and magnitude of planning depends on the level at which it is performed.

4. Planning: A Rational Approach:

Planning process is a rational approach to the achieving of organisational goals. An action is rational if it is objectively and intelligently decided. The aim of management is to reach the goals with the application of appropriate resources. Planning suggests a number of alternatives for reaching the goals.

5. Focus on Objectives:

An organisation employs a number of persons. Each one of them has different personality and attitude. There will be a difference of opinion about the objectives of the enterprise and the methods to achieve them. Planning focuses attention on setting up organisational objectives and suggests ways to achieve them. The objectives influence the future course of every business. If the objectives are not properly set then the efforts spent on them will go waste. The main purpose of planning is to focus attention on setting up of appropriate objectives.

6. Leads to Efficiency and Economy:

Planning involves the efficient utilisation of various resources like capital, labour, machines, materials etc. Every factor of production is put to efficient and economical use so that the output, i.e., results, is more than the efforts employed. An effort is made to achieve organisational objectives with minimum resources. Planning helps in controlling duplication of efforts which also ensures economy.

7. Co-ordination:

Co-ordination is essential for harmonious working of the organisation. Planning co-ordinates the what, who, how, why and where of planning. In the absence of planning different segments of the organisation may pursue divergent objectives.

8. Flexibility:

Planning process should be adaptable to the changing business environment. If planning is made rigid then it will not be able to achieve business goals. Planning is a dynamic process and it adjusts with the needs and requirements of the situations.

The Six P's of Planning

1. Purpose
2. Philosophy
3. Promise
4. Policies
5. Plans
6. Priorities

Reasons for Planning

1. Essential for Modern business
2. Related to performance
3. Focus on Objectives
4. Proper Allocation of Resources
5. Facilitates Control
6. Helpful in Decision making
7. Avoiding Business Failures

Principles of Planning

1. Principle of Contribution to Objectives:

All types of plans are prepared to achieve the objectives of the organisation. Both major and derivative plans are prepared to contribute to the objectives of the enterprise. Planning is used as a means to reach the goals.

2. Principles of Primacy of Planning:

This principle states that planning is the first or primary function of every manager. He has to plan first and then proceed to carry out other functions. Other managerial functions are organized to reach the objectives set in planning.

3undertaken. Plans are, generally not properly structured. The reason being that planning premises are not properly developed. This principle lays emphasis on properly analysing the situation which is going to occur in future.

4. Principle of Alternatives:

Planning process involves developing of many alternatives and then selecting one which will help in achieving desired business goals. In the absence of various alternatives proper planning will be difficult. . ***Principle of Planning Premises:***
In order to make planning effective, some premises or presumptions have to be made on the basis of which planning has to be

5. Principle of Timing:

Plans can contribute effectively to the attainment of business goals if they are properly timed. Planning premises and policies are useless without proper timing.

6. Principle of Flexibility:

This principle suggests flexibility in plans if some contingencies arise. The plans should be adjusted to incorporate new situations. The dangers of flexibility should be kept in mind. The changes may upset the earlier commitments. So the cost of changes should be compared to the benefits of flexibility.

7. Principle of Commitment:

There should be a time frame for meeting the commitments made. This will ensure the achieving of targets in time.

8. Principle of Competitive Strategies:

While formulating own plans a manager should keep in mind the plans of competitors. The plans should be framed by thinking of what the competitors will do in similar situations

Characteristics of a Good Plan

1. Clear Objective
2. Proper Understanding
3. Comprehensive
4. Flexible
5. Economical

Strategic Planning Cycle



Planning can be defined as thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done. In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.

Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

Planning Process

Planning is the first primary function of management that precedes all other functions. The planning function involves the decision of what to do and how it is to be done? So managers focus a lot of their attention on planning and the planning process. Let us take a look at the eight important steps of the planning process



1] Recognizing Need for Action

2] Setting Objectives

3] Developing Premises

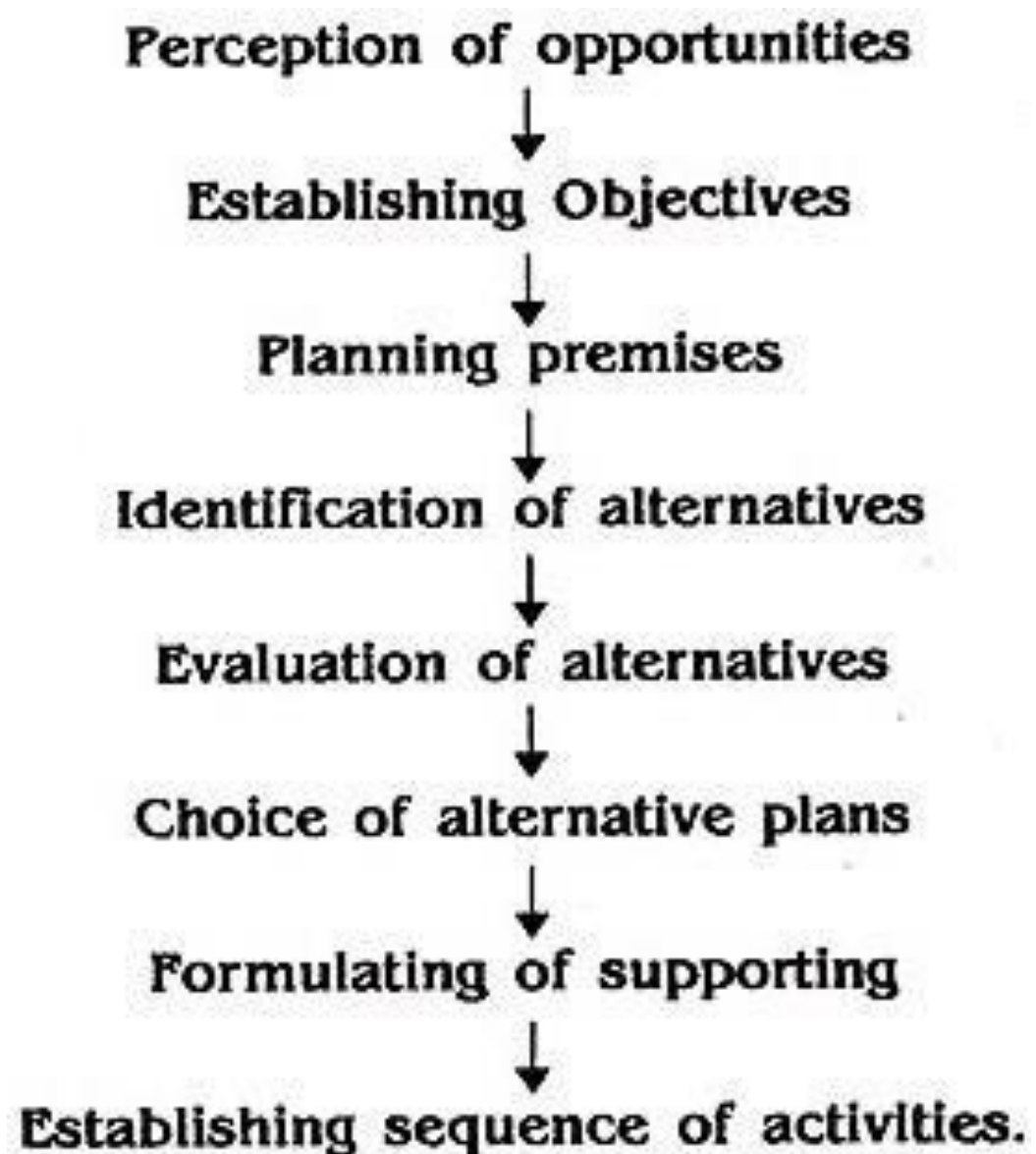
4] Identifying Alternatives

5] Examining Alternate Course of Action

6] Selecting the Alternative

7] Formulating Supporting Plan

8] Implementation of the Plan



Step # 1. Perception of Opportunities:

Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely.

Step # 2. Establishing Objectives:

This is the second step in the planning process. The major organisational and unit objectives are set in this stage. This is to be done for the long term as well as for the short range. Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

Step # 3. Planning Premises:

After determination of organisational objectives, the next step is establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions.

Step # 4. Identification of Alternatives:

The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organisational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.

Step # 5. Evaluation of Alternatives:

The various alternative course of action should be analysed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

Step # 6. Choice of Alternative Plans:

This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more advisable and beneficial. The fit one is selected.

Step # 7. Formulation of Supporting Plan:

After formulating the basic plan, various plan are derived so as to support the main plan. In an organisation there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

Step # 8. Establishing Sequence of Activities:

After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

Management Principles - Types Of Plans

Strategic plans

- Involves analyzing competitive opportunities & threats, as well as the strengths & weaknesses of the organization, & determining how to position the organization to compete effectively in their environment.

Tactical plans

- Creates the blueprint for the larger strategic plan. These plans are often short term and are carried out by middle-level managers.

Operational plans

- Covers the entire organization's goals & objectives and puts into practice the ways & action steps to achieve the strategic plans. Very short term plans, usually less than a year.

Strategic Plans

- It is the determination of the long-term objectives of an enterprise, the action plan to be adopted and the resources to be mobilized to achieve these goals.
- Since it is planning the direction of the company's progress, it is done by the top management of an organization.
- It essentially focuses on planning for the coming years to take the organization from where it stands today to where it intends to be.
- The strategic plan must be forward looking, effective and flexible, with a focus on accommodating future growth.
- These plans provide the framework and direction for lower level planning.

Tactical Plans

Tactical plans describe the tactics that the managers plan to adopt to achieve the objectives set in the strategic plan.

- Tactical plans span a short time frame (usually less than 3 years) and are usually developed by middle level managers.
- It details specific means or action plans to implement the strategic plan by units within each division.
- Tactical plans entail detailing resource and work allocation among the subunits within each division.

Operational Plans

Operational plans are short-term (less than a year) plans developed to create specific action steps that support the strategic and tactical plans.

- They are usually developed by the manager to fulfill his or her job responsibilities.
- They are developed by supervisors, team leaders, and facilitators to support tactical plans.
- They govern the day-to-day operations of an organization.
- Operational plans can be –
 - **Standing plans** – Drawn to cover issues that managers face repeatedly, e.g. policies, procedures, rules.
 - **Ongoing plans** – Prepared for single or exceptional situations or problems and are normally discarded or replaced after one use, e.g. programs, projects, and budgets.

Meaning of Planning Premises

Planning is made for the future. Future is uncertain the management makes certain assumptions about the future. The assumptions are not to be based on hunch or guess work. It should be developed through scientific forecasting of future events.

Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions that will affect the course of plans such as prevailing policies and existing company plans that controls the basic nature of supporting plans.

Types of Planning Premises:-

Planning premises may be classified as:-

- (a) Internal and external
- (b) Tangible and Intangible
- (c) Controllable, semi-controllable and uncontrollable
- (d) Constant and variable
- (e) Foreseeable and unforeseeable

Types of Planning Premises

Internal and External Premises

1. Internal Premises come from the business itself. It includes the skills of the labor force, investment policies of the company, management style, sales forecasts, etc.
2. External Premises come from the external environment. That is economic, technological, social, political and even cultural environment. External premises cannot be controlled by the business.

Controllable, Semi-controllable and Uncontrollable Premises

1. Controllable Premises are fully controlled by the management. They include factors like materials, machines, and money.
2. Semi-controllable Premises are partly controllable. They include marketing strategy.

Uncontrollable Premises as the name suggests are those over which the management has absolutely no control. Take for example weather conditions, consumer behavior, natural disasters, wars, etc.

9 Major Barriers to Planning | Management

Barriers to Strategy Formulation	Barriers to Strategy Implementation	How to Remove Barriers?
Identical procedures	Lack of accountability	Clear Communications
Strict limitations	Lack of commitment	Manage the Change Process
People	Inadequate instructions to employees	Participation of employees in planning process
Emphasized ceremonial work	Power & Influence:	Regular checks
Limited discussion	Culture	Accountability

Identifying Barriers to Planning

- ✓ **Inability to plan or inadequate planning**
- ✓ **Lack of commitment to the planning process**
- ✓ **Inferior information**
- ✓ **Focusing on the present at the expense of the future**
- ✓ **Too much reliance on the organization's planning department**
- ✓ **Concentrating on controllable variables**

Overcoming the Barriers to Planning

Way # 1. Starting at the Top

Way # 2. Recognising the Limits to Planning

Way # 3. Communication

Way # 4. Participation

Way # 5. Revision and Updating

Way # 6. Contingency Planning

Strategic Planning

Strategic planning is an organization's process of defining its strategy or direction and making decisions on allocating its resources to pursue this strategy, including its capital and people.

Strategic planning is a process to determine or re-assess the vision, mission and goals of an organization and then map out objective (measurable) ways to accomplish the identified goals.

Defining Mission Statement:

The mission statement is a short, concise statement that describes what the organization will strive to bring about — the reason why the company exists in terms of its impact on the rest of the world.

Defining Vision Statement:

One of the functions of strategic planning is to inspire people in the organization to work towards the creation of a new state of affairs. The vision is a means of describing this desired future, but it works best to inspire and motivate if it's vivid — in other words, a vision should be a “picture” of the future. The visioning process is usually the very first step in the strategic planning process.

Strategic Planning – Features

- 1. Process of Questioning**
- 2. Time Horizon**
- 3. Pervasive Process**
- 4. Focus of Attention**
- 5. Continuous Process**
- 6. *Co-Ordination:***

Strategic Planning – Approaches

1. Bottom-Up Approach:

Initiatives in formulating strategy are taken by the various units or divisions of an organization and then passed upward for aggregation at the corporate level. Corporate strategy will then be a composite of these plans. The weakness of this approach is that corporate strategy may end up as an incoherent muddle that merely reflects the objectives of the divisions before the planning attempt was made.

2. Top-Down Approach:

Initiative is taken by the upper-level executives of the organization, who formulate a unified, coordinated strategy, usually with the advice of lower-level managers. This overall strategy is then used to establish objectives and evaluate the performance of each business unit.

3. Interactive Approach:

This approach is a compromise between the bottom-up and top-down methods, corporate executives and lower-level managers develop strategy in consultation with each other, making a link between wider corporate objectives and the managers' detailed knowledge of specific situations.

4. Dual-Level Approach:

Strategy is independently formulated at both the corporate and business levels. All units form plans which suit their particular situations, and these plans are regularly reviewed by corporate management. At the corporate level, strategic planning is continuous and focuses on the larger goals of the organization- when to acquire and when to divest businesses; how to react to competition and the external environment; what priorities to attach to the organization's various units.



Forecasting

- ✓ Forecasting is essentially a process of analyzing the past and present business movements and trends to obtain some idea or clues regarding future trends and business movements. Forecasting is looking into the future so that we can accordingly plan for it.
- ✓ However, forecasting is not a haywire process. It is a systematic approach with well thought-out, scientific methods and procedures. It involves a thorough and proper analysis of data and facts with the help of both quantitative and qualitative techniques.

