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Introduction

Business is an economic activity, which has the motive of earning profit. Business enterprise has to collect complete informations of various activities to be performed well in advance and consider matters like, who will do, what type of work, how, when and to what extent. Thus planning is forecasting the future in present. Planning is a universal process. Whether it is a battle-field, a play ground, a business unit, a political institute, a religious institute or a social institute, planning is required in every field.

3.1 Planning

What we want to achieve in future and how ? For this various alternatives are to be considered and from those the best alternative is to be selected.

3.1.1 Concept : Planning is to collect informations for the activities to be undertaken in business, consider them in advance and plan out how to do these activities.

3.1.2 Definition :

- **According to Bill Goetz**, “Task of planning is choosing.”
- **According to George R. Terry**, “Function of planning means, assumption for results, policy to follow function, stages and to decide the method to be followed.”
- Planning is an intellectual process to achieve goal.

3.1.3 Characteristics :

(1) **Universal Process :** Planning is a universal process. It is present in every field like business, politics, education, religion or a social field.

(2) **Primary Function :** Planning is the primary function of management. Management starts with planning. Other functions of management like organisation, staffing directing, controlling are implemented on the basis of planning.

(3) **Conscious and Mental Process :** Planning is a conscious and mental process because in planning, decisions are taken consciously and on the basis of calculative assumptions.

(4) **Flexibility :** Planning contains various calculations and assumptions. Business enterprise is affected by external factors therefore necessary changes should be made in planning as per time, circumstances and situations. Flexibility is the precondition for planning. Planning is not a static element.

(5) **Precise :** Planning is a process for the future. The matters considered for planning are to be studied exactly. Statistical data, collected informations, etc. must be perfect and precise.

(6) **Forecasting is Essential :** Forecasting is done by considering future uncertainties while making a plan for a business unit. Therefore, forecasting and planning are considered as the first function of management.

(7) **List of Alternatives** : Planning in any field includes various plans and alternatives e.g. There can be many alternatives to increase the sales in future like increase in advertisement, reduction in prices, training to salesman or declaration of attractive offers to increase the sale, etc. Selection of the best alternative out of it is to be done.

(8) **Concerned with Future** : Planning presumes uncertainties involved in future. Forecasting and assumptions are done later on. In short, planning is related with future because it is evaluating future at present and accordingly making arrangement for the same.

(9) **Continuous Process** : Planning is a continuous and perennial process. Planning is that process which begins with the establishment of the organisation and continuous till the end. As per time and circumstances, the plans are also required to be changed.

(10) **Objective Oriented Activity** : Planning is made to achieve pre-determined objectives of the business. Management decides future targets as per objectives of business. Accomplishment of objectives become easy if the targets are pragmatic. Thus planning is an objective oriented activity.

(11) **Requires Decision Process** : Planning involves selection of the best alternative. Various alternatives are considered and assumptions are made and the decision is taken to select the best alternative. Thus decision making process is necessary in planning.

Planning is vital for business and an outline for the future. Planning is necessary in every field. Hence, Government, private sector or any other sector make plans for their activities. Central Government of India has accepted the importance of planning and has constituted the planning commission. It consists of experts from various fields. The importance of planning is as follows :

- (1) All activities are done systematically due to planning.
- (2) Wastage of resources can be avoided.
- (3) Planning reduces future uncertainties.
- (4) Planning leads to precision.
- (5) Useful for accomplishment of objectives.
- (6) Smoothness in other managerial functions.
- (7) Planning increases employees co-operation.
- (8) Effective control becomes possible.
- (9) Planning co-ordinates various activities.

3.1.4 Limitations : Planning is a universal process. None of the fields can work without planning. Planning is a guiding factor, which is neither perfect nor imperfect. As per critics and experts, the limitations of planning are as follows :

(1) **Uncertain Future** : Planning is based on assumptions and forecasting which is made for the future. But future is uncertain. Therefore assumptions are not fully correct. Uncertainties prevail in planning as it is related with future.

(2) **Expensive Process** : Experts have to be engaged for planning function. They are charging high fees. Moreover, the framing of plans require time, energy and money. Thus planning is an expensive process.

(3) **Time Consuming** : Planning involves collection of necessary informations, its classification, analysis and interpretation to decide alternatives for the business. Thus it is a lengthy and time consuming process.

(4) Planning is Irrelevant : Planning involves uncertainties. Planning becomes irrelevant due to time, circumstances or factors affecting business unit. In that case, planning is liable to fail.

(5) Tends towards Rigidity : Planning is adopted as a programme for the future. If any adverse situation occurs, managers or employees do not take the risk of deviating from the plan. They stick to the planning during implementation stage. Thus, planning leads to rigidity.

(6) Uncertainty of External Factors : Business units are affected by external factors which keep on changing. That hinders the success of planning.

(7) Incomplete Information : Necessary informations are to be collected for the planning process. Formulation and implementation of plan on the basis of incomplete and unclear informations may not give the desired result.

(8) Restriction on Employees' Creativity : Implementation of planning is done by employees of the business unit. Though employees have creativity, cannot make any changes in planning during its implementation. Thus planning restricts the creativity of employees.

(9) Use of Faulty Methods : While deciding assumptions and estimates, different mathematical and statistical methods are used. If these methods or informations are not appropriate, faulty decisions are taken. Thus planning is liable to fail.

Other than these, many other factors are affecting planning like changes in technology, prejudice of planner, ignorance of facts, problem of leadership, etc. In spite of it, planning allows us to control the change. It is fact that there is no alternative for planning.

3.2 Process of Planning

Planning is an intellectual process. Planning is a map of the future, in which management plays vital role. Future is uncertain therefore decided plan is to be implemented stagewise as given below :

(1) Determination of Objectives : The first step in planning is setting the objectives. It is said that, if objectives are determined in proper manner, planning becomes useful to the management. Objectives should be pragmatic, it means they should be realistic and intellectual.

(2) Clarifying Planning Premises : After determining the objective, clarification of planning premises is must in the planning process. These premises means assumption or forecasting. Forecasting is made after the consideration of internal and external factors affecting the business unit. If the premises are not clear and precise, there is possibility of the failure of planning.

(3) Collection and Analysis of Information : After planning premises, necessary information has to be collected either directly or indirectly. After the collection of information, its classification, analysis and interpretation are to be done. It helps to make assumption to get the expected result in future.

(4) Preparation of Alternative Plan : After collecting, analysing and interpreting informations, alternative plan is to be made. A list of alternatives is to be prepared. E.g. to sale the goods either by producing or by purchasing.

(5) Evaluation of Alternatives : Various alternatives which are considered feasible are taken for detailed evaluation. Factors affecting the business unit and contribution of each alternative is considered.

It is an intellectual process. Mathematical and statistical methods are used for the evaluation of alternatives. Business unit prepare an ideal plan as a model with the help of 'Operation Research' [O.R.].

(6) Selection of the best Alternative : The various alternatives are evaluated, analysed and scrutinized for the selection of best alternative.

(7) Formulation and Evaluation of Subsidiary Plan : Different projects or alternatives have to be considered as per basic plan or in support of basic plan. These plans are known as subsidiary/ derivative plan. E.g., A car manufacturing company is taking a decision 'make or buy tyres', then it is known as subsidiary plan. As the subsidiary plan is prepared, it is necessary to evaluate the same so it will not obstruct the basic plan in future.

(8) Evaluation of Plan : After formulation and evaluation of subsidiary plan, entire plan is evaluated. When ever it is necessary, a business unit takes the help of expert and consultant to evaluate the plan. It helps to get correct opinion as well as to take the appropriate decision. When we proceed step by step, the principle of 'Look and Leap' is to be adopted. At every stage evaluation is necessary.

3.3. Types of Planning

(1) Standing Plan : Standing plans represent guide line for decisions in repetitive situation hence standing plan can be used repeatedly. When there is repetition of organisational activities and a standard policy are decided for prompt action, it is known as standing plan. Policies, methods and rules are decided for a long time period in planning process. It helps the subordinates to take prompt decision regarding the related matters. E.g., Procedure for delivery of goods as per order of customers or if credit policy is decided before hand on permanent basis, it will help the employees to take prompt decisions. No employee will need the permission of superior regarding the same.

(2) Strategic Plan : Business units decide the objectives according to their philosophy. It is to be decided, through which philosophy the business unit will function through out the life. It is known as business objectives. For the accomplishment of objectives, long term and short term strategies are decided. A business unit decides its plan after the consideration of its strength and drawbacks. Foresightedness and experience are essential for these plans. Effects of strategic plans are seen in the long term. Consistent decisions are to be taken for these plans. It means scope of decision is important in this plan.

(3) Tactical Plan : For the accomplishment of business objectives, short term plans are prepared by middle level of management, it is known as Tactical Plan. These are plans which usually span one year or less. These plans clarify short term objectives. Hence business activities remain goal oriented and take place in a systematic manner. It is concerned with what the departmental heads and employees must do. Specialised knowledge and skill are necessary for the formulation of these plans.

(4) Operational Plan : Operational plans are the specific result expected plans from the departments, work groups and individuals. Generally, these plans are for short duration as for one year. E.g., Monthly or quarterly production plans are made for achievement of objectives of annual production. These plans are made by departmental heads for the implementation of strategic plan. Implementation of this plan becomes easy, if it is made after the necessary discussion with concerned employees, as these plans are related with routine work. Operational plan is almost similar to tactical plan.

(5) **Single Use Plan** : A useful plan is prepared for achievement of special objectives. This plan is made for special activities. One time plan is applied to those activities which do not reccur. For example, for the activities like ship making, construction of house, packaging, printing, etc. this plan is important.

(6) **Contingency Plan** : Business unit has to co-ordinate with changing situations. Business environment is also keep on changing due to political, economical, social or natural factors. Due to these reasons, if changes are to be made in original plan or a new plan is made, it is known as contingency plan.

3.4 Elements/Components of Planning

Planning is an intellectual process. Planning is based on subsidiary planes and programmes, which are known as elements of planning. E.g., To prepare a budget for a business unit, first of all departmental budgets are prepared. After having the discussion regarding it, a Master bugdet for entire business unit is prepared.

(1) **Objectives** : The purpose of every business is to determine and fulfil objectives. While determining objectives, all the factors affecting business are to be considered. Objectives must be pragmatic. It should not be over ambitious.

(2) **Strategy** : Contrivance used for the accomplishment of pre-decided objectives of planning is known as strategy. It makes the business unit capable enough to face the competition or to survive against the other factors. Strategy is used in the field like army and sports. Strategy should be kept confidential from the competitors. An ideal strategy gives guarantee of success of a business unit.

(3) **Policy** : Decisions and strategies are decided by management for accomplishment of objectives are known as policy. Policy creates distinct image of the business unit. It gives an idea of efficiency and working style of the business unit. Like an objective, policy should be pragmatic and real. E.g., Policy of sale of goods on credit basis.

(4) **Method/Procedure** : Method is an arrangement for carrying out business programmes. Strategy depicts the arrangement of facing competition. Policy gives informations to fulfil the objectives while method refers to the best way of accomplishment of pre-determined objectives. E.g., A business unit tries to fulfil the objective of annual sale on the basis of figures available of quarterly sale. It helps to raise the chances of success. In short, method refers to the best way of performing a task.

(5) **Rules** : Rules are necessary to accomplish the functions of planning. Rules decides the procedure and give the clear understanding. It ensures discipline among the employees. Rules make accomplishment of objectives and supervision easy. E.g., “Use of mobile during working hours is prohibited”, “No smoking at work place”, etc.

(6) **Budget** : Budget is used as a tool of control for the accomplishment of business objectives. Different types of budget are prepared like capital expenditure budget, sales budget, production budget, production cost budget, cash budget, etc. Budget keeps control over the business activities and makes the management efficient one.

(7) **Programme** : Programme is a sequence of activities to be undertaken by a business unit. If the work is done according to programme, problems do not arise in accomplishment of objectives. The function of management is not only to see that the work carried out according to programme but also to compare it with the standards. Along with these, to take corrective step if any deviation is found.

What did you learn in this chapter ?

Concept of Planning : Planning is to collect informations for the activities to be undertaken in business, consider them in advance and plan out how to do these activities.

Definition : According to Bill Goetz, "Task of planning is choosing."

Characteristics : (1) Universal process (2) Primary function (3) Conscious and mental process (4) Flexibility (5) Precise (6) Forecasting is essential (7) List of alternatives (8) Concerned with future (9) Continuous process (10) Objective oriented activity (11) Requires decision process

Importance : (1) Activities in systematic manner (2) Avoids wastage (3) Reduces uncertainties (4) Leads to precision (5) Useful for achievement of objectives (6) Smoothness in other managerial functions (7) Employees' co-operation. (8) Effective control (9) Coordinates various activities

Limitations : (1) Uncertain future (2) Expensive process (3) Time consuming (4) Planning is irrelevant (5) Tends towards rigidity (6) Uncertainty of external factors (7) Incomplete information (8) Restriction on employees' creativity (9) Use of faulty methods

Process of Planning : (1) Determination of objectives (2) Clarifying planning premises. (3) Collection and analysis of information (4) Preparation of alternative plan (5) Evaluation of alternatives (6) Selection of the best alternative (7) Formulation and evaluation of subsidiary plan. (8) Evaluation of plan

Types of Plan : (1) Standing plan (2) Strategic plan (3) Tactical plan (4) Operational plan (5) Single use plan (6) Contingency plan

Component / Elements of Planning : (1) Objectives (2) Strategy (3) Policy (4) Method / Procedure (5) Rules (6) Budget (7) Programme

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) Mention first function of management.
(A) Organising (B) Planning (C) Directing (D) Controlling
- (2) Planning is related to
(A) Past (B) Present (C) Production (D) Future
- (3) What is the first step of planning process ?
(A) Defining objectives (B) Clarifying planning premises
(C) Preparing alternative (D) Formation of subsidiary plan
- (4) Planning function means
(A) Routine function (B) Fixed function (C) Function of choice (D) Difficult function
- (5) Decisions and strategies are decided by management for accomplishment of objectives are known as
(A) Programme (B) Policy (C) Rules (D) Budget
- (6) What is pre-condition for successful planning ?
(A) Long term (B) Short term (C) Organisation (D) Flexibility
- (7) State the last step of planning process.
(A) Evaluation of plan (B) Selection of best plan
(C) Verification of planning (D) Determination of alternative

- (8) Which of the following is the element of planning ?
 (A) Continuous process (B) Controlling
 (C) Directing (D) Rules
- (9) Which of the following plans determines the objectives of business ?
 (A) Standing plan (B) Strategic plan (C) Tactical plan (D) Single use plan

2. Answer the following questions in one sentence each :

- (1) In which fields is planning found ?
- (2) Give full form of O.R.
- (3) What are the first and last functions of planning ?
- (4) When is the principle of 'Look and Leap' adopted ?
- (5) State types of budget.
- (6) Mention reasons for the uncertainties in planning.
- (7) What is planning premises ?
- (8) What is method / procedure ?

3. Answer the following questions in short :

- (1) What do you mean by determination of objectives ?
- (2) What is planning.
- (3) What is the need of strategy ?
- (4) State the elements or components of planning.
- (5) What is subsidiary plan ?
- (6) What is final budget ?
- (7) "Planning should be flexible." Why ?
- (8) "Planning is primary function of management." Explain.
- (9) What do you mean by policy ?
- (10) "Planning is an expensive process." Why ?

4. Answer the following questions in brief :

- (1) "Planning brings smoothness in managerial function." Explain.
- (2) Explain any four elements or components of planning.
- (3) Explain any four limitations of planning.
- (4) Discuss the importance of planning.
- (5) Explain operational and contingency plans.
- (6) Discuss single use plan and contingency plan.
- (7) Explain the following statements :
 - (i) "Planning is a conscious and mental process."
 - (ii) "Planning is irrelevant."
 - (iii) "Planning is concerned with future."

5. Answer the following questions in detail :

- (1) What is planning ? Explain its characteristics.
- (2) Give the definition of planning and explain its process.
- (3) Explain elements or components of planning.
- (4) Explain limitations of planning.
- (5) Discuss types of plan.

