

# PLANNING

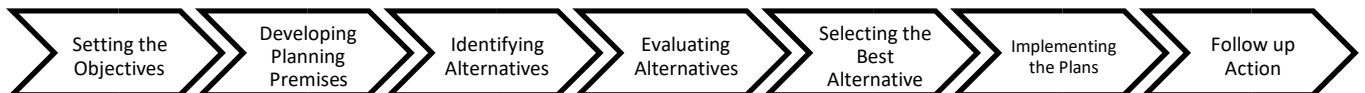
Planning means deciding in advance **what** is to be done, **when** is to be done, **how** is to be done and by **whom** is to be done. So that it is a process of thinking before doing.

1. Definition: “Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the predetermined goals” – Henry Fayol.

## Features of Planning

1. **Planning Focuses on objectives** – Every organization has its own objectives and every plan must contribute towards the accomplishment of these objectives.
2. **Planning is the primary function of management** – Planning is the first function of management. All other functions are performed to implement the plan.
3. **Planning is pervasive** – Planning is required at all levels of management, top management undertakes long range plans, middle management is concerned with departmental plans and the lower level management is related to short term plans.
4. **Planning is continuous** – Planning is an on-going process. Usually a plan is prepared for a specific period of time. At the end of the period a new plan is prepared in accordance with the requirement of future condition. E.g. Shortage in raw material in a month may lead to revise the plan for the next month.
5. **Planning is futuristic** – Planning is looking ahead and preparing for the future. Hence forecasting is the essence of planning. E.g. Keeping an umbrella in our bag with us foreseeing the chance of rain.
6. **Planning involves decision making** – If there are various alternatives to achieve an objective, then we have to select the best one (decision making) only after proper analysis. E.g. If a company has three suppliers for the same raw materials, they have to select only the best one by analyzing all the facts such as price, promptness, quality etc.
7. **Planning is a mental exercise** – Planning is an intellectual process which involves foresight, imagination and judgment.

## Planning Process (Steps in Planning)



1. **Setting the objectives** – The first step in planning is the establishment of objectives. The objectives must be clear and specific. The objective of the entire organization is laid down first, and then it is broken down into departments and individuals. E.g. Rs.10000 profit is the objective for this month, then it is divided as how many units may be produced by production department, how many units may be sold by sales department etc.
2. **Develop Planning Premises** – Planning is done for the future which is uncertain, certain assumptions are made about the future environment. These assumptions are known as

planning premises. E.g. A business is anticipating increase in the sales of computers assuming that sales tax on computers will be decreased by the government.

3. **Identifying alternatives** – There are alternative ways for achieving the same goal. For example, to increase sales, different ways are there, like advertisement, reducing prices, improve quality etc.
4. **Evaluating alternatives** – The positive and negative aspects of each alternative should be evaluated based on their feasibility and consequences.
5. **Selecting the best alternative** – After analyzing the merits and demerits of each alternative, the most appropriate one is to be selected by evaluating cost, risk, benefit to organization etc.
6. **Implementation of plans** – Implementation means putting plans into action to achieve the objective. For the successful implementation, the plans are to be communicated to the lower levels at every stage.
7. **Follow Up** – Plans are to be evaluated regularly to check whether they are proceeding in right way, shortfalls can be located and remedial actions can be taken well in advance.

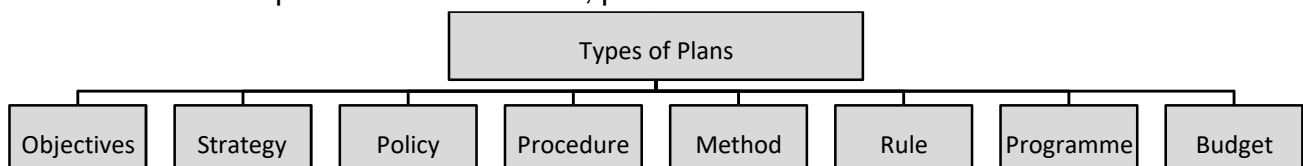
### Types of Plans

An organization has to prepare a plan before making any decision related to business operations. These plans can be classified into single-use plans and standing plans.

**Single use plan** – It is developed for a one-time event or project. Such a course of action is not likely to be repeated in future. The duration of such plan may depend upon the type of project, may be for one day, a week or a month such as organizing an event, a seminar, a conference etc. Single use plans includes Budgets, Programmes and Projects.

**Standing plan** – It is used for activities that occur regularly over a period of time. It is usually developed once but is modified from time to time to meet business needs as required. Standing plans include Policies, Procedures, Methods and Rules.

Based on what the plans seek to achieve, plans can be classified as follows:



1. **Objectives** – Objectives are the ends towards which an activity is aimed. They are the results to be achieved. In other words objectives are the goals, aims or purpose that the organization wishes to achieve. Examples of Objectives: Improvement in the sale of a product by 10%.
2. **Strategy** – It is a comprehensive plan for accomplishing an organization's objectives by considering the business environment, i.e., changes in economic, social, political, legal environment etc. E.g., discount sale, scratch coupon, gifts for customers etc. are some of the strategies that can be adopted for sales promotion. It has three dimensions:
  - a) Determining long term objectives
  - b) Adopting a particular course of action

c) Allocating the resources required to achieve the objectives

3. **Policy** – It is a guideline in decision making to various managers. It defines the limit within which decisions can be made. E.g. “Promotion is based on merit only” states that while taking decision on promotion, merit will be the sole criterion.
4. **Procedure** – Procedure is a chronological order or steps to be undertaken to enforce a policy. E.g. To implement the policy of selecting employees, the selection procedure may be developed consisting of Inviting applications, tests, interviews, references and then prepare the list of selected candidates.
5. **Rules** – Rules are the guidelines for conducting an action. They specify what should be done or not to be done in a given situation. E.g. Office opens at 10am, smoking is prohibited inside the office.
6. **Methods** – Methods provide detailed and specific guidance for day to day action. Eg. Time rate system or Piece rate system in wage payment, most suitable method is to be adopted in the organization for better performance.
7. **Programs** – It includes all the activities necessary for achieving a given task. E.g. Opening 5 new branches in different parts of the country, deputing employees for training, installing a new machine etc.
8. **Budget** – It is a plan which states the expected results of a given period in numerical terms. E.g. Production Budget, sales budget, cash budget, expenditure budget etc.

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