

# Planning

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## Definition:

Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it.

It is an **intellectual process** which **lays down** an **organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

Planning is nothing but **thinking before the action takes place**. It helps us to **look into the future** and **decide in advance** the way to deal with the situations, which we are going to encounter in future. It involves logical thinking and rational decision making.

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.

Definitions by various authors:

- **Alford and Beat:** Planning is the thinking process that involves organized foresight and a vision based on experience and facts
- **Theo Haimann:** Planning is the act of deciding what to do in advance

- **Billy E. Goetz:** Planning is the act of choosing, and a planning problem occurs when an alternative course of action is discovered
- **Koontz and O'Donnell:** Planning is the intellectual process of deciding what to do, how to do it, when to do it, and who is to do it

## **Characteristics/Nature/Features of Planning**

### **1. Planning is a Primary function of management:**

Planning is a first and foremost managerial function provides the base for other functions of the management, i.e. organising, staffing, directing and controlling, as they are performed within the periphery of the plans made.

No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives only.

**2. Goal oriented/Focuses attention on Objectives:** It focuses on defining the goals of the organisation, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.

**3. Pervasive in nature:** It is pervasive in the sense that it is required at all the levels of the organisation. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

**4. Continuous Process:** Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn, considering the organisation's present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, executed and followed by another plan.

**5. Intellectual Process:** It is a mental exercise as it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.

**6. Futuristic/ Future oriented:** It encompasses looking into the future, to analyse and predict it so that the organisation can face future challenges effectively.

**7. Facilitates Decision Making:** Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

**8. Planning establishes standard for controlling:** *Planning serves as a basis for control.* If planning is not there then controlling manager will have no base to compare whether the actual output is adequate or not.

**9. Planning provides Direction:** Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

**10. Planning Reduces the risk of uncertainties:**

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

## **Importance of Planning**

- **Provides direction:** Planning helps define goals and objectives, which can guide actions and help ensure that work is done in the right direction.
- **Reduces uncertainty:** Planning allows managers to anticipate changes and develop strategies to adapt to them.
- **Promotes innovation:** Planning requires creativity and inventiveness, which can lead to new ideas and solutions.
- **Reduces inefficient activities:** Planning helps coordinate actions and efforts, which can eliminate unnecessary or repetitive actions.
- **Creates control standards:** Planning sets benchmarks for measuring performance, which is the basis for control.
- **Helps manage risk:** Planning helps businesses predict, prevent, or manage risks and contingencies.

- **Leads to success:** Planning provides a framework for learning, keeps people organized and confident, and can lead to success.
- **Focus on Objective:** Planning directs the focus of management and employees towards organizational objective.
- **Improve future performance:** It helps managers to improve future performance, by establishing objectives and selecting a course of action, for the benefit of the organisation.
- **Coordination of activities:** planning facilitates co-ordination of activities and reduces overlapping among activities and eliminates unproductive work.
- **Identify opportunities & threats:** It uncovers and identifies future opportunities and threats.
- **Base for controlling:** It sets out standards for controlling. It compares actual performance with the standard performance and efforts are made to correct the same.

### **Limitations of Planning:**

#### **1. Planning leads to rigidity:**

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

#### **2. Planning may not work in dynamic environment:**

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

#### **3. It reduces creativity:**

With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

#### **4. Planning involves huge Cost:**

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

## **5. It is a time consuming process:**

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

## **6. Planning does not guarantee success:**

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans. It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future.

## **7. Lack of accuracy:**

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

## **External Limitations of Planning:**

Sometimes planning fails due to following limitations on which managers have no control.

### **(i) Natural calamity:**

Natural calamities such as flood, earthquake, famine etc. may result in failure of plan.

### **(ii) Change in competitors' policies:**

Sometimes plan may fail due to better policies, product and strategy of competitor which was not expected by manager.

### **(iii) Change in taste/fashion and trend in the market:**

Sometimes plans may fail when the taste/fashion or trend in market goes against the expectation of planners.

### **(iv) Change in technologies:**

The introduction of new technologies may also lead to failure of plans for products using old technology.

### **(v) Change in government/economic policy:**

Managers have no control over government decisions. If government economic or industrial policies are not framed as expected by manager then also plans may fail.

### **Types of Planning:**

#### **Strategic Planning**

Strategic planning is done by the top-level management in the organisation. It includes long term planning for the mission, vision of the organization. Such a kind of planning in management is used for starting a business or for major decisions. It also includes defining timelines, establishing KPIs (key performance indicators) and tracking their progress.

#### **Tactical/Functional Planning**

Tactical planning refers to task prioritisation for achieving short term goals. This is one of the crucial types of planning in management that helps achieve those goals as prescribed in a strategic plan. In an organisation, tactical planning is done by mid-level management. The goals to be achieved are set for one or two departments and then moving on to the next in a tactical plan.

#### **Operational Planning**

It is the kind of planning required for day-to-day activities. Organisations use such kind of planning with extreme detail to clearly identifying who, what, when, where and why of all the work to be performed.

#### **Contingency Planning**

Also known as 'special or situational planning' or 'Plan B'. it is used for situations when changes cannot be foreseen. When plans fail due to uncertainties or any situational factors, organization has to be plan immediately and work on it.

### **Types of Plans:**

Plan: A plan is a commitment to a particular course of action for achieving specific results. From this it follows that there are a number of plans for achieving different goals.

#### **Plans may be classified broadly into:**

- (1) Standing plans and
- (2) Single-use plans.

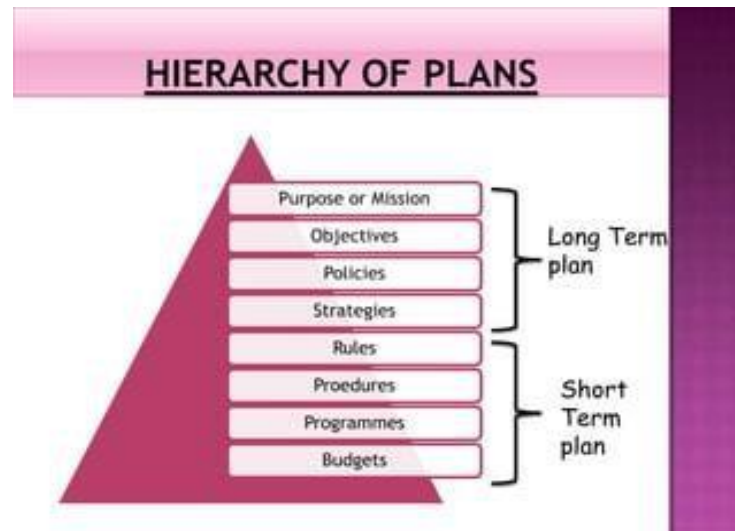
## 1. Standing Plans:

Standing plans are plans formulated for a long period of time. They are also called ‘repeated use’ plans because these provide guidelines for actions to be taken in future. Standing plans include objectives policies, procedures, methods, rules and strategies.

## 2. Single-Use Plans:

These plans are made for handling non-recurring problems. Single-use plans are also referred to as ‘specific plans’ since these are meant to solve a particular problem. These plans are formulated to handle non-repetitive and unique problem. These plans cannot be used again and again; these become obsolete after achieving their purpose. The examples of these plans are: projects, budgets, programmes.

### The different types/hierarchy of plans:



### 1. Mission or Purpose

**Definition:** The mission is the organization’s fundamental purpose, explaining why it exists and what it aims to offer to society.

**Importance:** It provides clarity on the organization’s identity, guiding principles, and long-term commitment.

**Example:** A non-profit’s mission might be to provide clean water access to underserved communities.

### 2. Goals and Objectives

**Definition:** Goals are specific results an organization intends to achieve within a defined timeframe.

**Importance:** They provide direction for all organizational activities, ensuring efforts align with the mission.

**Example:** An educational institution's goal could be to increase student enrollment by 15% over the next two years.

### 3. Strategies

**Definition:** Strategies are comprehensive master plans detailing how an organization will fulfill its mission and achieve its goals.

**Importance:** They determine the long-term objectives and resource allocation necessary to gain a competitive advantage.

**Example:** A retail company's strategy might involve expanding into e-commerce to reach a wider customer base.

### 4. Policies

**Definition:** Policies are general guidelines that aid decision-making and ensure consistency with organizational objectives.

**Importance:** They guide employees in making choices that support the mission, goals, and strategies.

**Example:** An HR policy could establish guidelines for fair hiring practices within a company.

### 5. Procedures

**Definition:** Procedures are step-by-step instructions outlining how specific tasks should be performed.

**Importance:** They help employees carry out tasks efficiently and in alignment with policies.

**Example:** A manufacturing company might have procedures for quality control during production.

### 6. Rules

**Definition:** Rules are specific and rigid guidelines that must be followed by all members of an organization.

**Importance:** They ensure orderly operations and are associated with disciplinary actions when violated.

**Example:** Workplace safety rules mandate the use of protective gear in a manufacturing plant.

### 7. Programmes

**Definition:** Programs consist of a set of integrated activities designed to achieve specific objectives.

**Importance:** They prioritize and organize actions, helping organizations allocate resources effectively.

**Example:** A health organization might run a vaccination program targeting specific communities.

### 8. Budgets

**Definition:** Budgets are financial plans specifying resource allocation for various activities within defined periods.

**Importance:** They control expenses, measure actual performance against standards and ensure financial discipline.

**Example:** An annual budget outlines how much an organization can spend on marketing, salaries, and other areas.

### **Process of Planning:**

Process of Planning differs from organization to organization.



**FIGURE 3.1 PLANNING PROCESS**

#### **Step 1. Perception of Opportunities/ Looking at possible 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. All managers should know where they stand in the light of their strengths and weaknesses, understand the problems they wish to solve and know what they gain.

#### **Step 2. Establishing Objectives:**

This is the second step in the planning process. The major organisational and unit/departmental objectives are set in this stage. This is to be done for the long term as well as for the short range. Objective 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.

Organisational objectives give direction to the major plans, which by reflecting these objectives define the objective of every major department. Key Result Areas (KRAs) ie major goals are identified and communicated to all.

### **Step 3. Planning Premises/ Analysis of Internal & External Environment:**

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 of the expected environmental and internal conditions.

Thus planning premises are external (uncontrollable) and internal (controllable). External premises include factors like political, social, technological, competitors, plans and actions, government policies, etc. Internal factors include organisation's policies, resources of various types, and the ability of the organisation to withstand the environmental pressure, etc. The plans are formulated in the light of both external and internal factors.

### **Step 4. Identification of Alternative courses of Action:**

The fourth step in planning is to identify the alternative courses of action. 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.

For example, if an organisation has set its objectives to grow further, it can be achieved in several ways like expanding in the same field of business or product line diversifying in other areas, joining hands with other organisations, or taking over another organisation and so on.

### **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. The alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit. Future is uncertain, therefore there is no assurance of the results with any alternative.

### **Step 6. Choice/Selection of Best Alternative Plans:**

This is the real point of decision-making. If more than one alternative is good then both should be selected to cope up with uncertainties. The fittest is selected.

### **Step 7. Formulation of Supporting Plan:**

After formulating the basic plan, various plans are derived so as to support the main plan. In an organisation there can be various supporting plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc.

### **Step 8. Establishing Sequence of Activities:**

After formulating basic and supporting plans, all activities are arranged in a proper sequence so that plans are put into action.

## **Environmental Analysis & diagnosis**

Environment means **surrounding**.

Environmental analysis and diagnosis are strategic tools that help businesses understand their environment and develop strategies to achieve their goals.

An environmental analysis, also called an environmental scan, is a strategic tool used to identify and assess all external and internal factors in a business environment. It examines organizational and industry factors that can positively or negatively affect the business and its success. By anticipating short-term and long-term impacts, the organization can readily respond to them when they appear.

### **Environmental diagnosis**

An Environmental Diagnosis is a systematic identification of all environmental factors related with the activities of a given organization. The main goal is to verify the environmental performance of the organization.

The term "Business environment " is the sum of all conditions, events, and influences that surround and affect business activities and growth.

### **Components of Business Environment**

Business Environment consists of two type of components:

1. Internal Environment
2. External Environment

**1. Internal Environment:** It combines the factors that exist within the company. These are

- Human resources
- Value system
- Vision and mission
- Labour union
- Corporate culture
- Strength & weaknesses
- Organizational capabilities

**2. External Environment:** An external environment includes those outside factors that exercise an influence on a business's operations. Business opportunities and threats are part of this environment.

It is further classified into two parts:

**Macro Environment** - Socio-cultural, political, legal, technological and global factors fall into this category.

**Micro Environment**- This environment has a direct and immediate impact on a business. It consists of customers, investors, suppliers, public, government, etc.

To understand the business environment, various business analysis models, tools and techniques are available.

Two famous, widely used analysis are:

- SWOT (strengths, weaknesses, opportunities, threats) analysis
- PESTLE (political, economic, social, technological, legal and environmental) analysis

### SWOT Analysis

<b>S</b>	<b>W</b>	<b>O</b>	<b>T</b>
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>* Things the organization does well</li> <li>* Resources</li> <li>* Core capabilities</li> <li>* Qualities that separates from competitors</li> </ul>	<ul style="list-style-type: none"> <li>* Things the organization lacks</li> <li>* Resources limitation</li> <li>* Qualities that competitors does well</li> </ul>	<ul style="list-style-type: none"> <li>* Untapped market</li> <li>* Low competition</li> <li>* Cheap labor</li> <li>* Abandane of resources</li> </ul>	<ul style="list-style-type: none"> <li>* Unstable political environment</li> <li>* Charging customer attitute toward business</li> <li>* Restricted regulations</li> </ul>

SWOT analysis is one of the most popular strategic analysis models. It involves looking at the strengths and weaknesses of your business capabilities, and any opportunities and threats to your business.

Strength and Opportunities are positive and favourable.

Weaknesses and threats are negative and unfavourable.

Once you identify these, you can assess how to:

- capitalize on your strengths
- minimize the effects of your weaknesses
- make the most of any opportunities
- reduce the impact of any threats

## PESTLE Analysis

The PESTLE analysis, or its shorter form PEST analysis, examines the factors which can influence a business on a larger scale outside the organization. It provides organizations with insights into the market status based on high-level trends concerning the market, customers, technology, and more.

The PESTLE method consists of six key elements for a comprehensive picture of the business' macro-environment:



