

## 3.1 Planning Function

### 3.1.1 Definition:

- Planning is the process of determining the goals of organizations and setting specific course of action for achieving those goals.
- It's a dynamic decision making process about the future.

Planning answers six basic questions in regard to intended activity. These are;

- **What** (the goals), **when** (timing), **where** (the place), **who** (people performing essential activities), **how** (methods of reaching goals) and **how much** (expenditure of resources).
- Planning is thus determining “**what to achieve**” and “**how to achieve**” before an action is taken.

### **3.1.2 Importance of Planning(need for plannig)**

- ✓ It reduces risk and uncertainty of the future
- ✓ It promotes efficiency
- ✓ It leads to success
- ✓ It provides basis for controlling
- ✓ It lays ground for other managerial functions
- ✓ It helps managers to focus on organizational goals

### **3.1.3 Nature of Planning;**

- 1. Planning is a primary management function:**
- 2. Planning concerns all managers (Universal/pervasive)**
- 3. Planning is a continuous process**
- 4. Plans are arranged in a hierarchy**
- 5. Planning commits the organization into the future**
- 6. Planning is antithesis of status quo**
- 7. Planning is flexible**
- 8. Planning is directed towards efficiency and accuracy**

### 3.1.4 Types of Plans

Plans can be divided based on the ff dimensions;

1. Repetitiveness or use
2. Time
3. Scope

**Based on Use** (how frequently a given plan is used)

4. Standing plans
5. Single use plans

**Standing plans:** plans which are formulated to be used on a repetitive basis. They include;

- **Mission /purpose:** is the rational for the company's existence.
- **Objectives:** end results that an org wants to achieve
- **Strategies:** means to achieve objectives

- **Policies:** general guideline that specifies the broad parameters within which organizational members have to operate in pursuit of organizational goals.
- **Procedures:** statements that detail the exact manner in which certain activities must be accomplished
- **Methods:** a more detailed description than procedures
- **Rules:** the simplest type of plan which spells out specific actions to be taken or not in a given situation.

**Single use plans :** are plans which are not repetitive once objectives are reached. They include;

- ❖ **Program:** a comprehensive plan that coordinates complex set of activities related to a major non recurring goal.
- ❖ **Project :** smaller and separate portions of a program.
- ❖ **Budget:** statements of expected results expressed in numerical terms; labor hrs, machine hrs, units, financial terms...

## Based on Time

- 1) Long range plans
- 2) Intermediate range plans
- 3) Short range plans

## Based on Scope

- A. **Strategic plan:** an org wide plan formulated by top managers & provides general direction for the org.
- B. **Tactical plan:** intermediate plans charted to support the implementation of strategic plans & are developed by middle level managers.
- C. **Operational plan:** concerned with day-to-day activities of an org & are developed by lower level managers.

### **3.1.5 The Planning Process**

- 1) Understanding the existing situation**
- 2) Forecasting**
- 3) Establishing objectives**
- 4) Determining alternative courses of action**
- 5) Evaluating the alternative courses of action**
- 6) Selecting the best course of action**
- 7) Formulating derivative plans**
- 8) Numbering plans by budgeting**
- 9) Implementing the plan**
- 10) Controlling and evaluating the results**

### 3.1.6 Principles of Effective Planning

1. **Develop accurate forecasts**
2. **Gain acceptance for the plan**
3. **Be objective**
4. **Set up monitoring system**
5. **Revise your plan on a constant basis**
6. **Fit the plan to the situation**

### 3.1.7 Planning Techniques

- 1) **Forecasting**
- 2) **Decision making**

#### Forecasting

- A. Qualitative Forecasting:** is judgment based forecasting technique used when hard data are scarce or difficult to use
- B. Quantitative Forecasting:** is used when there is sufficient statistical data to specify relationships between key variables.

## **3.2 DECISION MAKING**

### **3.2.1 Definition of Decision Making**

Decision making is defined as a rational choice among alternatives.

**3.2.2 Decision Making Process:** has seven steps;

- 1) Define the Problem**
- 2) Identifying criteria's upon w/c decisions has to be made**
- 3) Develop Potential Alternatives**
- 4) Analyze the Alternatives**
- 5) Select the Best Alternative or Combination of best Alternatives:**
- 6) Implement the Solution**
- 7) Establish a control and Evaluation System**

### 3.2.3 Types of Decisions

1. **Programmed Decisions**: are the decisions managers make in response to repetitive and routine situations.
2. **Non-programmed Decisions**: are decisions for novel and unstructured problems.

When a recognized problem has not happened in exactly the same manner before and is not to the experience of managers, it may require a non-programmed decision.

Non-programmed decisions require more time and effort and involve more uncertainty than programmed decisions.

### **3.3.4 The Decision Making Environment**

Generally, decisions are made under the conditions of certainty, risk and uncertainty.

- A. Decision making under conditions of certainty:** the manager has perfect knowledge i.e., the alternatives are known, and the consequences of each alternative are fully understood.
- B. Decision making under conditions of risk:** In this situation, the manager knows what the problem is, knows what the alternatives are, but does not know how each alternative will work out even if he or she knows the probabilities of possible outcomes.
- C. Decision making under conditions of uncertainty:** This is the most difficult decision making environment for a manager. Managers face unpredictable external conditions.



**Thank  
You!!!**