

CHAPTER TWO PLANNING

2.1. CONCEPTS AND NEEDS FOR PLANNING

The management functions are planning, organizing, staffing, direction and controlling. These functions are essential to achieve organizational objectives. If objectives are not set then there is nothing to organize, direct and control. An organization has to specify what it has to achieve. Planning is related with this aspect.

Every person whether in business or not has framed a number of plans during his life. The plan period may be short or long. One of the characteristic of human being is that he plans. Planning is the first and foremost function of management. According to **Koontz and O'Donnel** "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are and to where we want to go. It is in essence the exercise of foresight". According to M.S. Hardy "Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives.

Planning- is the process of determining how the organization can get where it wants to go, and what it will do to accomplish its objectives. In more formal terms, planning is "the systematic development of action programs aimed at reaching agreed-upon business objectives by the process of analyzing, evaluating, and selecting among the opportunities which are foreseen.

Planning- is a critical management activity regardless of the type of organization being managed. Modern managers face the challenge of sound planning in small and relatively simple organizations as well as in large, more complex ones, and in nonprofit organizations

Heying and Massie define "Planning is that function of the manager in which he decides in advance what he will do. It is a decision making process of a special kind. It is an intellectual process in which creative mind and imagination are essential". Planning is an attempt to anticipate the future in order to achieve better performance.

In the business world, organizations should achieve their objectives. In order to achieve objectives, the organizations should plan. Planning process produces the plan.

Plan is a blueprint for action & prescribes activities necessary for an organization to realize its goals. Understanding of planning process requires knowing the relationship between goals, plans & controls as shown below.



Goals represent the designed position of an organization that is sought to be achieved; Plans establish the means for achieving the organization goals; and through planning managers outline the activities necessary to insure that the goals of the organization are achieved; and Controls monitor the extent to which goals have been achieved and ensure that the organization is moving in the direction suggested by its plans.

Goals are the outcomes of planning and benchmarks for controls. They are taken from the plan. Goals, plans & controls are inextricably intertwined & must be well integrated so as to make the planning process successful. Planning answers six basic questions in regard to any intended activity.

- ◆ **The 'what' or what to do:** is the goal that we want to achieve. It may be long term or short term.
- ◆ **The 'when' or when to do:** is the question of timing. Each long term goal may have a series of short term goals that must be achieved before the long term can be achieved.
- ◆ **The 'where' or where to do:** is the place at which the plan is put into practice.
- ◆ **The 'who' or who does it:** is the individual/ unit supposed to undertake specific tasks. It asks which specific people will perform specific tasks.
- ◆ **The 'how' or how it is done or by whom it is done:** is the strategy/ method for achieving the goal. It describes what specific steps are to be taken and in what kind of sequence.
- ◆ **The 'how much' or how much is required to do:** concerns with the expenditure of resources that are determined to be essential to reach goals.

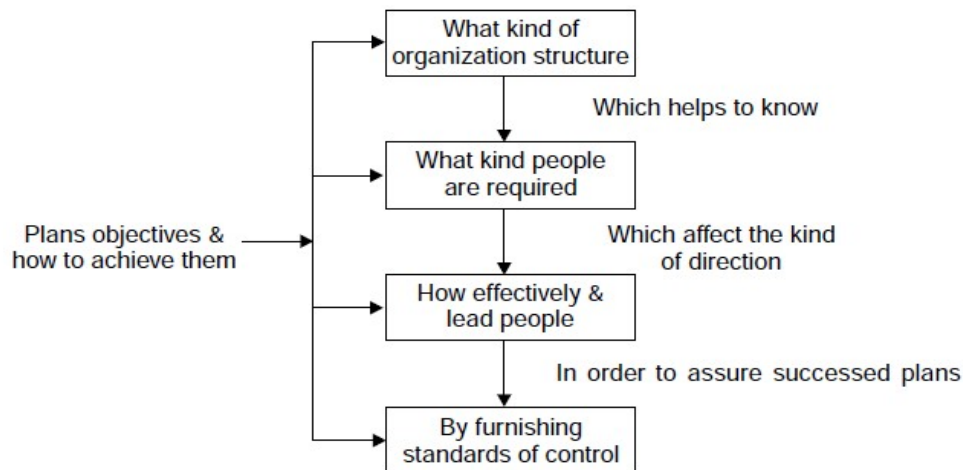
2.2. IMPORTANCE OF PLANNING

Planning is of great importance in all types of organization whether business or non-business, private

or public, small or large. The organization which thinks much ahead about what it can do in future is likely to succeed as compared to one which fails to do so. Without planning, business decisions would become random, ad hoc choices.

Planning is important because of the following reasons.

- **Primacy of planning:** Planning is the first and foremost function of management, other functions follow planning. What is not planned cannot be organized and controlled. Planning establishes the objectives and all other functions are performed to achieve the objectives set by the planning process as shown in the figure below.



- **To minimize risk and uncertainty:** The organization continuously interacts with the external dynamic environment where there is great amount of risk and uncertainty. In this changing dynamic environment where social and economic conditions alter rapidly, planning helps the manager to cope up with and prepare for changing environment. By using rational and fact based procedure for making decisions, manager can reduce the risk and uncertainty.
- **To focus attention on objectives:** Planning focuses on organizational objectives and direction of action for achieving these objectives. It helps managers to apply and coordinate all resources of the organization effectively in achieving the objectives. The whole organization is forced to embrace identical goals and collaborate in achieving them.
- **To facilitate control:** Planning sets the goals and develops plans to achieve them. These goals and plans become the standards or benchmarks against which the actual performance can be measured. Control involves the measurement of actual performance, comparing it with the standards and initiating corrective action if there is deviation. Control ensures that the activity confirm to plans. Hence control can be exercised if there are plans.
- **To increase organizational effectiveness:** Effectiveness implies that the organization is able to achieve its objectives within the given resources. The resources are put in a way which ensures maximum contribution to the organizational objectives. Effectiveness leads to success.

WHERE DOES PLANNING START?

Planning is carried out at the various levels of the organization. There are two basic approaches to planning, namely the top - down approach and the bottom - up approach.

- 1. The top - down approach:** It is the planning efforts that begin at the top level managers. Top level managers determine the direction of the organization and establish a master plan to achieve over all goals. The master

plan provides direction within which departments & work groups develop their plans.

2. The bottom - up approach:

3. It is the planning that is initiated at the lowest level of the organizational hierarchy. In this approach, the managers and employees at the operational level began the planning process, finally the top levels bring together all the plans of the organizations work groups to develop a cohesive & well integrated master plan, then this establishes the overall direction of the organization.

These planning modes/ approaches are not mutually exclusive. By being flexible, managers can capitalize on the benefits of both approaches. The current trend is towards integrating the aspects of both top down & bottom up planning approaches.

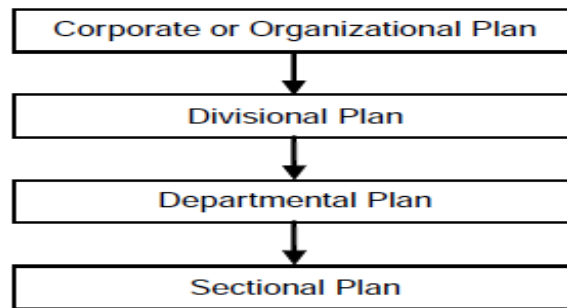
REQUIREMENTS OF PLANNING

All organizations want smooth transition from present to the future. Planning represents the way in which decision makers attempt to build bridge into the future. For several reasons, planning is not given the attention that it requires. But Planning requires time; commitment; forecasts; thought and paper-work.

2.3. BASIC CHARACTERISTICS OR FEATURES OF PLANNING

The following are the basic characteristics of planning.

- 1) Planning is the primary function of management:** Planning is the starting point of management. It is only planning which gives meaning to all other managerial functions, namely, organizing, staffing, coordinating and controlling. Without planning the other functions cannot be effectively performed.
- 2) It is goal-oriented:** The goal of every business is to make profits. Planning helps to attain the goal in the most effective and efficient manner.
- 3) It is all-pervasive:** By this we mean that planning is done by everyone at every level of management, namely top, middle and lower levels. Planning is pervasive and it extends throughout the organization. Planning is the fundamental management function and every manager irrespective of level, has a planning function to perform within his particular area of activities. Top management is responsible for overall objectives and action of the organization. Therefore it must plan what these objectives should be and how to achieve them. Similarly a departmental head has to devise the objectives of his department within the organizational objectives and also the methods to achieve them. Thus planning activity goes in hierarchy as shown in the following figure.



- 4) **It is an intellectual activity:** Planning is a mental activity. It involves application of mind and intelligence to attain, in a systematic manner, the organizational objective.
- 5) **It is future -oriented:** Planning is required to attain the future goals of an organization. However, past happenings provide the basis for plans. As future is uncertain, a plan must make suitable provisions to meet any crisis.
- 6) **It requires an integrated approach:** There must be a link between the plans of different departments. The production plan of a business must be in tune with its financial plan. The
- 7) marketing plan likewise must be in tune with the production plan and vice versa.
- 8) **It is a continuous process:** It means that a stage will never come when the need for planning will not be felt at all. Planning is required as long as we live in this world. As far as business is concerned, planning is needed as long as there are business activities.
- 9) **It involves decision making:** Planning involves making choice out of certain alternative courses i.e., decision-making. When there is only one way of doing something, there is no need for planning at all.
- 10) **Planning is antithesis of status quo:** Planning is undertaken with the conscious purpose of attaining a position that would not be accomplished by the company. Hence it implies change in organizational objectives, policies, products, marketing strategies, etc. Planning itself is affected by unforeseen organizational change. Therefore, it needs examination, re-examination, and continual reconsideration of the future, continuous searching for more effective methods & improvement of results. Planning is a process and the exact opposite of status quo.

2.4. TYPES/ CLASSIFICATION OF PLANS

Plans can be classified on different bases or dimensions. The most important ones are:

1. Repetitiveness (frequency of use)
2. Time dimension/ hori zon (duration) &
3. Scope/ breadth dimension.

CLASSIFICATION OF PLANS BASED ON REPETITIVENESS

Based on repetitiveness, plans are classified into two, as Standing plans and Single use plans.

1. Single use

2. STANDING PLANS

Standing plans are plans that are used again & again; followed each time; and designed to deal with organizational issues or problems that recur frequently. They can limit employees' flexibility & make it difficult to respond to the needs of the customers. By using standing plans management handles repetitive problems. Standing plans include mission or purpose; goals/ objectives, strategy; policy; procedure; method and rule.

A. Purpose or Mission

Setting organizational objectives is the starting point of managerial actions. Every organization is purposive creation, it has some objectives; the end results for which the organization strive. These end results are referred to as mission, 'purpose', 'goal', 'target' etc. which are often used inter-changeably. However there are differences in the context in which these terms are used.

In every social system, enterprises have a basic function or task, which is assigned to them by society. The mission or purpose identifies this basic function or task of the organization, for example the purpose of university is teaching & research.

Mission and purpose are often used interchangeably though there is difference between the two at least at theoretical level. Mission has external orientation and relates the organization to the society in which it operates. A mission statement links the organization activities to the needs of the society and legitimates its existence. Purpose is also externally focused but it relates the organization to that segment of the society to which it serves; it defines the business which the company will undertake. The mission of the company says what it can be for the country i.e., society in general and purpose suggest how this contribution can be made. However in general practice mission and purpose are either used interchangeably or jointly.

B. Goals or Objectives

Every organization is established for the purpose of achieving some objectives. An individual who starts a business has the objective of earning profits. A charitable institution which starts schools and colleges has the objectives of rendering service to the public in the field of education. Though objectives may differ from one organization to another, yet each organization has its own objective. Objectives are the end towards which the activities of an organization are directed. Objectives are known by different names, such as goals, aims, purposes, targets etc. Setting up of objectives is the first step in planning.

According to Mc Farland, “**Objectives are the goals, aims or purposes that the organizations wish to achieve over varying periods of time**”. George R Terry defines “. A managerial objective is the intended goal which describes definite scope and suggests direction to the efforts of a manager”. Objective is the term used to indicate the end point of management programme, for which an organization is established and tries to achieve.

Objectives have the following characteristics.

- 📌 **Objectives are multiple in numbers:** Every business enterprise has a package of objectives set in various key areas. Peter Drucker has emphasized setting objectives in eight key areas namely market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude, and public responsibility.
- 📌 **Objectives are tangible or intangible:** Some of the objectives such as productivity, physical and financial resources are tangible; whereas objectives in the areas of manager’s performance, workers morale is completely intangible.
- 📌 **Objectives have a priority:** At a given point of time one objective may be important than another. For example maintaining minimum cash balance is important than due date of payment.
- 📌 **Objectives are generally arranged in hierarchy:** It implies that organization has corporate objectives at the top and divisional, departmental and sectional objectives at the lower level of organization.
- 📌 **Objectives some time clash with each other:** An objective of one department may clash with the objectives of other department. For example the objectives of production of low unit cost achievement through mass production of low quality products may conflict with goal of sales department selling high quality products.

Requirements of Sound Objectives

- 📌 Objectives must be clear: There should not be ambiguity in objectives. The framed objectives should be achievable and are to be set considering various factors affecting their achievements.
- 📌 Objectives must support one another.
- 📌 Objectives must be consistent with organizations mission.
- 📌 Objectives should be consistent over period of time.
- 📌 Objectives should be rational, realistic and not idealistic.
- 📌 Objectives should start with word ‘to’ and be followed by an action verb.
- 📌 Objectives should be periodically reviewed.

Advantages of Objectives

The following are some of the advantages of objectives.

- ✓ **Unified planning:** Various plans are

- ✓ prepared at various level in the organization. These plans are consistent with the objectives and hence objectives encourage unified planning.
- ✓ **Individual motivation:** Objectives act as motivators for individual and departments imbuing their activity with a sense of purpose.
- ✓ **Coordination:** Objectives facilitate coordinated behavior of various groups which otherwise may pull in different directions.
- ✓ **Control:** Objectives provide yardstick for performance. The actual performance is compared with standard performance and hence objectives facilitate control.
- ✓ **Basis for decentralization:** Department-wise or section wise objectives are set in order to achieve common objectives of the organization. These objectives provide basis for decentralization.

C.Strategies

A strategy may be defined as relationship or an administrative course of action designed to achieve success in the face of difficulties. Strategy is the basic plan chosen to achieve objectives. 'Every organization has to develop plans logically from goals considering the environmental opportunities and threats and the organizational strengths and weakness. A strategy is a plan which takes into these factors and provides an optimal match between the firm and external environment. Two activities are involved in strategy formulation namely environmental appraisal and corporate appraisal.

Environmental appraisal involves identifying and analysis of the following factors:

- 📖 **Political and legal factors:** Stability of government, taxation and licensing laws, fiscal policies, restrictions on capital etc.
- 📖 **Economic factors:** Economic development, distribution of personal income, trend in prices, exchange rates etc.
- 📖 **Competitive factors:** Identifying principal competitors and analysis of their performance, anti-monopoly laws, protection of patents, brand names etc.

Corporate analysis involves identifying and analyzing company's strength and weakness. For example a company's strength may be low cost manufacturing skill, excellent product design, efficient distribution etc. Its weakness may be lack of physical and financial resources. A company must plan to exploit these strengths to maximum and circumvent its weakness.

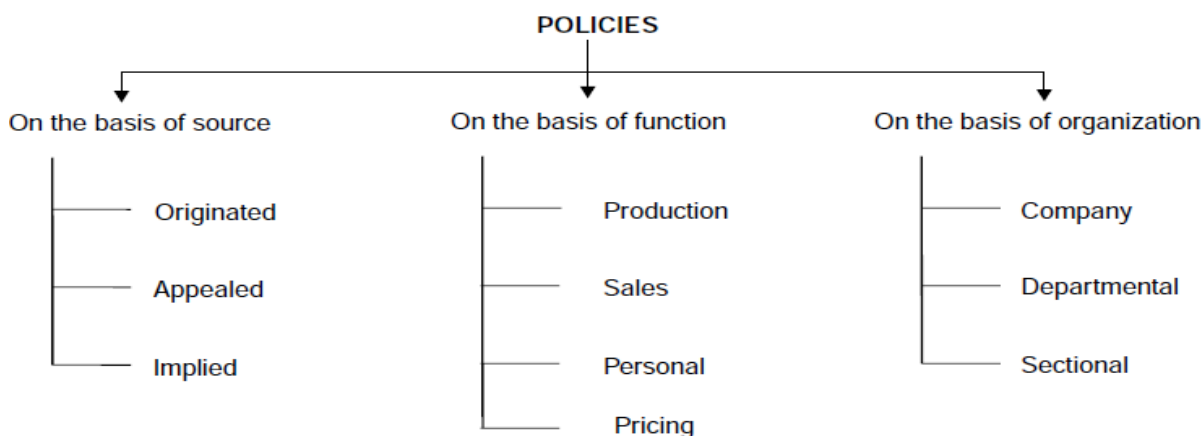
The formulation of strategy is like preparing for beauty contest in which a lady tries to highlight her strong points and hide her weak points. The process of matching company's strength and weakness with environmental opportunities and threats is known as SWOT analysis.

D. Policies

A policy is a general guide to thinking and a ction rather than a specific course of action. It defines the area or limits within which decisions can be made to achieve organizational objectives. It sets up boundaries around decisions

. According to **Koontz** and **O' Donnell** policies are general statements of understanding which guide or channel thinking in decision making of subordinates. Policies channelize the thinking of the organization members so that it is consistent with the organizational objectives. According to George R Terry “ Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which managerial action will take place”. Although policies deal with “how to do” the work, but do not dictate terms to subordinates. They only provide framework within which decisions are to be made by the management in various areas. Hence an organization may have recruitment policy, price policy, advertisement policy etc.

Types of policies: Policies may be classified on the basis of sources, functions or organizational levels as shown.



Originated policies are policies which are established formally. These policies are established

by top managers for guiding the decisions of their subordinates and also their own and are made available in the form of manuals. Appealed policies are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation. When decisions are made by the supervisor on appeals made by the subordinates, they become precedents for further action. For example a books dealer offers a discount of 10% on all text books. Suppose if an institution requests for a discount of 15% and prepared to pay full amount in advance, the sales manager not knowing what to do may approach his superior for his advice. If the superior accepts the proposal for 15% discount, the decision of the superior become a guideline for the sales manager in future. This policy is an appealed policy because it comes into existence from the appeal made by the subordinate to the superior. The policies which are stated neither in writing nor verbally are known as implied policies. The presence of implied policies can be ascertained by watching the actual behavior of various superiors in specific situations. For example if company's residential quarters are repeatedly allotted to individuals on the basis of seniority, this may become implied policy.

On the basis of business function policies may be classified into production, sales, finance, personnel policies etc. Every one of these function may have a number of policies. For example the personnel function may have recruitment policy, promotion policy and finance function may have policies related to capital structure, dividend payment etc.,

On the basis of organizational level policies may range from major company policies through major departmental policy to minor or derivative policies applicable to smallest segment of the organization.

Advantages of Policies

The advantages of policies are as follows:

- ✓ Policies ensure uniformity of action at various organization points which make actions more predictable.
- ✓ Since the subordinates need not consult superiors, it speeds up decision.
- ✓ Policies make easier for the superior to delegate more and more authority to his subordinates because, he knows that whatever decision the subordinates make will be within the boundaries of the policies.
- ✓ Policies give a practical shape to the objectives by directing the way in which predetermined objectives are to be attained.

E. Procedures

A procedure is a chronological sequence of steps to be undertaken to enforce a policy and to attain an objective. It lays down the specific manner in which a particular activity is to be performed. It is a planned sequence of operations for performing repetitive activities uniformly and consistently.

Policies are carried out by means of more detailed guidelines called procedures. A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work. A procedure is a list of systematic steps for handling activities that occur regularly. The same steps are followed each time that activity is performed. A streamlined, simplified and sound procedure helps to accelerate clerical work without duplication and waste of efforts and other resources. Difference between policies and procedures can be explained by means of an example. A company may adopt a policy of centralized recruitment and selection through labor department.

The labor department may chalk out the procedure of recruitment and selection. The procedure may consist of several steps like inviting application, preliminary interview aptitude and other tests, final interview, medical examination and issue of appointment orders. The following are advantages of procedures.

- ✓ They indicate a standard way of performing a task.
- ✓ They result in simplification and elimination of waste.
- ✓ Procedure improves the efficiency of employees.

- ✓ Procedure serves as a tool of control by enabling managers to evaluate the performance of their subordinates.

F. Methods

A method is a prescribed way in which one step of procedure is to be performed. A method is thus a component part of procedure. It means an established manner of doing an operation. Medical examination is a part of recruitment and selection procedure, method indicate the manner of conducting medical examination. Methods help in increasing the effectiveness and usefulness of procedures. By improving methods, reduced fatigue, better productivity and lower costs can be achieved. Methods can be improved by eliminating wastes by conducting “motion study”.

Methods are more detailed than procedures. Procedure shows a series of steps to be taken where as a method is only concerned with a single operation, with one particular step, and tells exactly how this particular step is to be performed.

G. Rules:

Rules are the simplest and strictest type of standing plan found in organizations. They provide detail & specific regulations for action, and reflect managerial decisions that certain actions must or must not be done. Rules are different from policies & procedures. Rules also serve as guidelines, but allow no discretion in their application; allow no deviation from the stated course of action. A procedure might be looked upon as of rules but a rule may or may not be a part of procedure. e.g. “No smoking” is a rule unrelated to any procedure. Rules are already decided measures that are applied in response to a certain action. And they are pre-decided actions by top level managers. Employees don't have right to modify or change rules by themselves.

Rules, procedures & methods, by their nature, are designed to repress thinking; we should use them only when we don't want people in an organization to use their discretion.

3. SINGLE - USE PLANS

They are developed to address a specific organizational situation. They are used up only once but not over & over again as the standing plans. They are not used up again once the objective is accomplished. Single - use plans are commonly three types, namely programs; projects and budgets.

A. Programs

They are a relatively broad set of activities designed to accomplish a particular set of goals. They are complex and encompass goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are supported by budgets. Programs may be of various size & duration. A program is a sequence of activities directed towards the achievement of certain objectives. A programme is action based and result oriented. A program lays down the definite steps which will be

taken to accomplish a given task. It also lays down the time to be taken for completion of each step. The essential ingredients of every program are time phasing and budgeting. This means that specific dates should be laid down for the completion of each successive stage of programme. In addition a provision should be made in the budget for financing the programme. A program might include such general activity as purchasing new machines or introducing new product in the market. Thus a program is a complex of objective, policies, procedures, task assignments, steps to be taken, resources to be employed and other elements to carry out a given course of action.

B. Projects

Projects are parts of a general program and direct the efforts of individuals or work groups towards the achievement of well defined goals. They are typically less comprehensive & narrower in focus than programs; and usually have predetermined target dates for completion. Project is a subset of a specific program. It is a smaller portion of a program. Projects are connected with a major program but a project can be handled by itself.

C. Budgets

Budget is the resources required in numerical terms. It is referred as a numerated/numberized program. it is a fundamental planing instrument in companies that deals with the future allocation and utilization of various resources to different organizational activities over a given time period. Budget can be expressed in financial terms; labor units; products/ unit of product; machine hours or in any other numerically measured term. It is necessary for control; and serves as a benchmark for controlling. Budgets are 3 types.

- ✚ Variable or flexible budget: budgets that vary according to the organization's level of output.
- ✚ Program budget: when an organization & its departments identify goals, develop detailed programs to meet the goals estimate the cost of each program. To prepare effective program budget, a manager must do some fairly detailed & through planning.
- ✚ Zero - base budget: the programs started from the scratch or "base zero".

N.B. Programs are the most comprehensive, projects have the narrower scope and often undertaken as a part of a program. Budgets are developed to support programs & projects.

CLASSIFICATION OF PLANS BASED ON TIME

All planning deals with the future; and the future are measured in time. All the kinds of plans are interrelated and one is the derivative of the other. Plans in terms of time periods are classified into three as long term/ range; intermediate range and short range.

- 1. Long - range planning:** has longer time horizon; and usually concerned with the future direction of the organization but not concerned with the immediate future but with distant future. The time usually ranges from 5-10 years, but the time length is a relative term that depends on the size & the nature of the organization.
- 2. Intermediate - range planning:** ranges between long & sort range planning; and they are usually developed for 1-5 years, but the time dimension can also vary depending on the size & nature of the organization.
- 3. Short - range planning:** are not developed separately. They are also taken as operational plans derived from the long ranging or intermediate plans. The time length is commonly taken as less than 1 year. What is long or short range in most cases depends on the size of the organization & the type of business of the organizations.

CLASSIFICATION BASED ON SCOPE/ BREADTH

Planning that is strategic in nature; focuses on changing the competitive position and the overall performance of the organization is the long term. Based on scope, plans are classified into 3 categories as Strategic plan; Tactical plan & Operational plan.

1. Strategic planning

Strategic plan is a general plan outlining decisions of resources allocation, priorities, and action/ steps necessary to reach strategic goals. It is a process of analyzing & deciding the organs mission; objective; strategy (major courses of action) and the major resource allocations. It is also developed by top level managers; mostly long -range in its time horizon; expressed in relatively general, non-specific terms & a type of planning that provides a general direction to the organization. Strategic planning is the process by which the organization's strategies are determined. In the process, three basic questions are answered:

- Where are we now?
- Where do we want to be?
- How do we get there?

The "where are we now?" question is answered through the first three steps of the strategy formulation process:

- ✓ Perform internal and external environmental analyses,
- ✓ Review vision, mission and objectives, and
- ✓ Determine SWOT: Strengths, Weaknesses, Opportunities and Threats.

SWOT analysis is very crucial. Going on to strategy choices without a comprehensive SWOT analysis is risky. Strengths and weaknesses come from the internal environment of the firm. Strengths can be exploited, built upon and made key to accomplishment of mission and objectives. Strengths reflect past accomplishments in production, financial, marketing and human resource management. Weaknesses are internal characteristics that have the potential to limit accomplishment of mission and objectives. Weaknesses may be so important

that they need to be addressed before any further strategic planning steps are taken. Opportunities and threats are uncontrollable by management because they are external to the firm. Opportunities provide the firm the possibility of a major improvement. Threats may stand in the way of a firm reaching its mission and objectives.

2. Tactical planning:

Tactical plan is a plan aimed at achieving tactical goals and developed to implement specific parts of strategic plan. It refers to the process of developing action plans through which strategies are executed. It is concerned with shorter time frame & narrower scopes than strategic planning. Departmental managers in organizations are often involved in tactical planning. The strategic planning & tactical plan are highly interrelated.

3. Operational planning:

Operational plans focuses on carrying out technical plans to achieve operational goals. Operational planning is mainly short range; more specific & detailed. It is made at operational level & concerned with day- today; week - to - week activities of the organizations.

4. Contingency planning:

Contingency planning is an approach that has become very popular in today's rapidly changing business envelopment. It is the determination of alternative courses of action to be taken if the original plans are disrupted or become inappropriate due to the changing circumstances. It is proactive in nature & the management tries to anticipate changes in the environment and prepares to cope with the future events. It is necessary at each level of management and for strategic, tactical, and operational plantings. It is the development of two or more plans based on different conditions. The plan to be implemented is determined by the specific prevailing situation.

2.5. THE PLANNING PROCESS

The planning process indicates the major steps taken in planning. And generally there are 10 steps in planning process

Step 1: Understanding the existing situation

Awareness to the external environment to the organization is great important in planning to

identify opportunities (O) & Threats (T) and identify Strength (S) & Weaknesses (W) of an organization. To understand external environment organizations should analyze economic situations (competition, prices, demand, supply, etc.); Political situations (government policies, taxation, peace & stability, etc.); Socio - cultural situations: (culture of the society, direction in change of the culture, attitude of the society towards different products, etc.); Environmental situations and Technological situations. In addition to external environment, understanding the

internal environment is also essential, i.e. different types of resources an organization possesses. Therefore managers must look at O and T as well as S &Ws, and understand what problems they wish to solved & why, and know what they expect to gain. Setting realistic objectives depends on this awareness. Planning requires a realistic diagnosis of the opportunity situation.

Step 2: Forecasting

Forecasting is assumption what the future looks like. To decide where one wants to go, it is necessary to have information about what the future looks like. Planning is deciding what is to be done in the future. The future is full of uncertainties; the manager must make certain assumptions about it in order to plan properly. These assumptions are based on forecasts of the future.

Step 3: Establishing objectives

Objectives established for the entire enterprise and then for each subordinate work unit. They specify the expected results and indicate the end points what is to be done, where the primary emphasis to be located, & what is to be accomplished by the network of strategies, policies, procedures, rules, budgets, & programs. Organizational objectives give direction to the major plans, by reflecting these objectives departmental objectives defined, departmental objectives intern control objectives of subordinate departments, etc. down the line. The objectives of lesser departments will be more accurate if the subdivisions managers understand the overall organizational objectives and the derivative goals.

Step 4: Determining the alternative courses of action

Determining the alternative courses of action is searching for & examining alternative course of action (strategies), especially for those not immediately apparent. The more common problem **is not finding alternatives but reducing the number of alternatives**

Step 5: Evaluating alternative courses of action

Evaluating alternative courses of action is assessing the alternatives by weighing them in light of premises and goals. It is seeking out alternative courses and examining their strong & weak points.

Step 6: Selecting a course of action

Selecting a course of action is the point at which the plan is adopted. It is the real point of decision making.

Step 7: Formulating derivative plans

Derivative plans are those which support the basic or main plan.

Step 8: Numberizing plans by budgeting

After decisions are made & plans are set, the final step is giving them meaning. Budgeting is to numberized plans by converting them into budgets. The organization's budget represents the sum total of income & expenses. If done well, budgets become a means of adding together various plans & also set important standards against which planning progress can be measures.

Step 9: Implementing the plan

After selecting optimum alternative, the manager has to develop an action plan to implement it. The manager must decide these issues

- o Who will do what
- o By what date will the tasks be initiated & completed
- o What resources will be available for the process (human & material)
- o How will the plan be evaluated
- o What reporting procedures are to be used
- o What type & degree of authority will be granted to achieve these ends

Step 10: Controlling & evaluating the results

Once the plan is implemented, the manager must **monitor the progress**, i.e. evaluate the reported results, and make any modifications necessary. Plans have to be modified because the environment is constantly changing. Modification is needed because plans are not quite perfect when they are implemented.

2.6. PRINCIPLES OF PLANNING

Planning depends on the production, technology, human, financial & physical resources, working conditions/ environment of the organizations, and its environmental forces. Certain principles underlie sound planning. These principles are

1. Principle of contribution to objectives.

The soundness of plans depends on the extent to which they contribute to the efficient & effective achievement of corporate objectives. Objectives are the basic criteria underlying the formulation of plans & also for evaluating results of operating plans.

2. Principles of sound & consistent premising

Premises are assumptions regarding the environment that would prevail during the period of the implementation of plans. These environmental forces include general;

- o Economic conditions
- o Social/ cultural forces
- o Political/ legal
- o Technological conditions
- o Market conditions/ actions of competitors, etc.

Plans are made on the basis of premises about the future state of these environments and the soundness depends on the accuracy of these premises. Premising about such a myriad of environmental forces is as difficult as it is critical. Hence, large corporations employ a large number of economists, engineers, sociologists, and other experts whose sole responsibility is planning & forecasting.

3. Principles of limiting factors

The limiting factors are elements in a company's internal or external situation which should be revoked or modified if plans are to be formulated for the achievements of its objectives.

4. Principles of commitment

Logical planning should cover a period of time in the future necessary to foresee as well as possible, through a series of actions, the fulfillment of commitments involved in a decision made today.

5. Principles of coordinate effort

This principle advocates that all the plans of the company should be coordinated with one another so as to produce an integrated plan. Thus short & long range plans should be coordinated with one another. It is achieved if short range plans are derived from long range plans, and the implementation of the former regarded as the contribution to the implementation of the latter.

Instruments of planning including strategies, policies, rules, procedures, programs, projects, & budgets should be mutually content and lead to coordinate effort towards effective implementation of plans.

6. Principles of timing

Corporate plans consist of a number of **major and derivative plans**. All these plans should be synchronized as to the timing of the implementation. Some of these plans be implemented sequentially, while others simultaneously. Hence all these plans should be arranged in the time of hierarchy.

7. Principle of efficiency

Plans require the expenditure of resources for their formulation and implementation. All these resources constitute the cost of planning. Plans should aim at minimizing the cost & thereby achieve the most efficient utilization of scarce resources

8. Principle of flexibility

Plans should have an inbuilt flexibility when actual environment turns out to be different from predications. This principle can be taken for granted that the future will be different in actuality that the forecasts on which the plans are based. Companies prepare contingency plan which may be put into operation in response to the prevailing situations.

9. Principle of navigational change

Plans should be reviewed periodically as to their premises in relation to actually operating environment and the future expectation and as to their results in relation to the planned goals. The review may require changes in objectives, strategies, policies and programs.

10. principle of acceptance

Successful implementation of plans requires the willing and cooperative effort of all employees. It is essential that plans should be understood and accepted by them

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