12

PLANNING

12.1 INTRODUCTION

In the preceding lesson, you have got a general idea about what management means. You now know that management consists of five functions viz, planning, organising, staffing, directing and controlling. In this lesson, we shall discuss the first function of management, i.e. planning, in detail.

Planning is thinking before doing. It is important for managing all kinds of activities. If activities are not properly planned, it may not be possible to achieve what is desired, or even if achieved, it may be at a very high cost. For example, if a person wants to go somewhere he has to decide in advance when and how he will go there, what things he will carry with him, how much money he will need, etc. He must decide about these things beforehand so that he may be able to go to the place without any difficulty. Similarly, the head of a family has to decide in advance, i.e., plan how much he will spend for what purpose out of his income so as to meet the requirements of his family and also save something for the future. As a student you have to plan your studies properly if you want to get good marks in the examination.

Planning is all the more necessary in group activity. This is because a group is formed to achieve the goals of the group as well as the goals of each member of the group. The activity of each member must be planned so as to achieve individual as well as group goals.

Planning is of great importance in business. Business units employ several persons and invest large amounts of money in machines, equipments and other assets. Through planning,
Managers make the best use of available resources to achieve maximum results and objectives of the organisation. Therefore we must cultivate this habit of looking ahead if we want to grow and improve our performance. In this lesson, we shall be studying about this process of planning in detail.

12.2 OBJECTIVES

After studying this lesson, you will be able to:

- state the meaning of planning and a plan,
- identify the various features of planning,
- outline the different steps in the planning process, and
- explain what is done in each step.

12.3 MEANING AND FEATURES OF PLANNING

Planning is determining objectives and deciding on a course of action to achieve those objectives. Objectives are end-results which managers wish to achieve. In business, the main objective is to earn profit. In order to achieve this objective, managers have to answer a number of questions, such as, what to produce, how to produce, what to sell and how to sell, how to raise finances and use them. All these questions are decided keeping in view what can be sold in the market at a profitable price and whether the business has necessary resources to produce it at a reasonable cost. Planning is, therefore, deciding in advance what to do, how to do it, when to do it and who is to do it. A manager must decide in advance the alternative courses of action in case certain things happen or under certain circumstances. Planning is actually a choice-making activity. Before making a choice, managers have to think of possible alternatives. They have to evaluate each alternative so that they can choose the most appropriate alternative.

The planning activity leads to the preparation of a plan, which is a document including a statement of objectives, targets or end-results to be achieved over a certain period and the programme of activities to be undertaken for the purpose.

Features of Planning

1. Planning is based on objectives: A manager cannot plan anything unless he first decides what he wants to achieve. Unless you know where you want to go, you cannot decide
how to go there. Objectives are the basis as well as a part of the planning function. They give a direction to planning.

2. **Planning is the primary function of management:**
   Every activity must be planned before it is actually performed. Thus planning is essential for all other functions of management—organising, staffing, directing, and controlling. Managers must decide in advance about (a) the number and types of activities to be performed, and grouping of similar activities (organising), (b) the people to be recruited for performing the various activities (staffing), (c) steps to be taken to motivate and lead the people (directing), and (d) setting standards and measuring actual performance to be compared with standards (controlling).

3. **Planning is based on facts:** Planning is not a guesswork. To make plans, managers have to collect information about various matters relating to business. They have to take into account the difficulties that may come in the way of carrying out the plan and then draw a plan accordingly. Take the example of a publishing business. Before publishing a book, the publisher has to decide about the number of copies to be printed, the price to be charged, and the time of printing. For these purposes, he has to obtain information relating to (a) the number of people who are likely to buy the book, (b) prices being charged by other publishers for similar books, (c) capital required, (d) the cost involved, (e) availability of printing paper, etc. Without all this information, he will not be able to decide (a) how many copies of the book should be printed, (b) what price is to be charged and (c) when the book should be printed.

4. **Planning is a function of every Manager:** Every manager takes part in planning. But higher the position of a manager, the more important is his role in planning. Managers at the top level plan for the entire organisation. They make plans for a longer time-period and lay down the objectives for the organisation as a whole. Middle-level managers make quarterly, half-yearly and yearly plans for the departments which are under them. Foremen and office supervisors plan for a workshop or a section of office. They make plans for a shorter time period, i.e., for the next day, next week or next month.

5. **Planning is concerned with the future:** Planning is
thinking in advance what is to be done, when it is to be
done, where it is to be done and who is to do it. In other
words, planning relates to the future. One cannot do
anything about past activities. However, past experience is
helpful in making future plans. Planning requires collection
of information about various matters relating to business
and then choosing a course of action for future. Although
it is difficult trying to look several years ahead, but by
constantly looking into the future and revising estimates
again and again, managers are able to anticipate events and
even determine them. They are not caught unawares. They
are able to deal with new developments confidently.

6. Planning has to deal not only with the future but also
with the changes in conditions which may take place
in future: Plans are made on the basis of certain
assumptions about the future. If these assumptions do not
come true, managers must change their plans. As a ship
has to change its course when it is unsafe to follow the
usual route; similarly, the course of action selected by
managers must be changed if the situation so demands.

7. Planning usually involves most members of an
organisation: In most organisations, it is still the boss
who sets the plans for the entire section under him and
controls and directs the efforts of his subordinates towards
accomplishment of the objectives. Here subordinates do
not have a say in any matter. They are expected to carry
out instructions without unnecessary questioning. They,
therefore, do not feel involved in their work and thus they
work half heartedly.

But now, the situation is fast improving. Most managers take the
active support of their subordinates while planning for their
department. Workers are encouraged to give their suggestions
and opinions for improvement of plans. Plans formulated in such
a manner, are more realistic and logical. Workers feel involved
and work whole-heartedly towards their accomplishment.

INTEX QUESTIONS 12.1

Fill in the blanks with appropriate words from those given in
brackets:

i) Planning is ..... the objectives and choosing a course of
action to achieve those objectives .

(determining/achieving)
Planning

ii) Planning function is performed .......... all other functions of management.

                   (before/after)

iii) Planning is based on .........

                   (guesswork/facts)

iv) Managers at the top make plans for ......

                   (organisation as a whole/individual departments)

v) Plans are made for ....... activities

                   (future/present)

iv) Foremen plan for ............. as a whole.

                   (workshop/department/organisation)

12.4 STEPS IN THE PLANNING PROCESS

You must have noted the meaning and features of planning. The steps in the planning process will now be discussed. These steps are as follows:-

1. Establishing objectives.
2. Making assumptions (establishing premises) about the external and internal conditions.
3. Development of alternative courses of action.
4. Evaluation of alternatives.
5. Selecting the appropriate course of action.

1. Establishing objectives

Establishing objectives is the first step in planning. Objectives are the end-results which managers wish to achieve. Each organisation has specific objectives to achieve. The purpose of a hospital is to provide medical help for the sick. The aim of police department is to maintain law and order. Business units produce and sell goods with the objective of earning profit. A business unit has to first decide about the goods that it will produce and sell. It then has to lay down objectives for each department and section, and finally for each individual. Objectives should be specific, and as far as possible in numerical terms. It is not sufficient to say that our objective is to improve
performance. It is better to state the objective in the following manner: ‘This year we shall increase production and sales by 10 per cent and reduce cost by 5 per cent.’ Objectives should never be set in isolation. The manager and his subordinates should sit together and commonly evolve objectives. The emerging ideas, and suggestions of other people will help in making objectives realistic and practical. Also people, feeling involved, will work harder in achieving the goals.

2. Making assumptions (establishing premises) about the external and internal conditions in the plan period.

Making assumptions about the future environment of business is the second step in planning. For example, it may be assumed that there will not be any change in tax laws, and that the business unit will have sufficient cash to meet its expenses. These assumptions about the future environment of the business are known as planning premises.

Planning premises may be external or internal. External planning premises relate to conditions outside the business. Internal planning premises relate to conditions existing within the organisation.

External planning premises include assumptions about the market demand and nature of competition, laws affecting the business, availability of resources, and changes in the methods and techniques of production.

External environment may create problems for an organisation. It may also provide opportunities for making profits. If managers have an advance knowledge of the likely changes in the external conditions, they can take steps to solve future problems and take maximum advantage of business opportunities.

Government policies and legal factors, for example, affect the decisions of managers to a great extent. Government today control and regulate the activities of business units in a number of ways. It may encourage some business activities and discourage others. It may regulate business activities by laying down rules for prices, wages, imports, exports, working hours, safety conditions, etc. Advance knowledge of the likely change in government policy during the plan period enables managers to take correct business decisions.

Internal planning premises relate to conditions within an organisation. These conditions include cost, methods and
techniques of production, employees, requirements of machinery and equipment, etc. All these things depend upon sales. Estimating future sales is the key to determine all other requirements. Managers should make area-wise estimates of sales for the plan period. Once they have an idea of the likely sales, they can easily determine the requirements of materials, machines, employees and capital.

The study of external conditions enables a business unit to know the opportunities available in the market. Hundreds of opportunities are available to a business unit, but it cannot take advantage of every opportunity. It has to decide what it will produce and distribute in the light of what it can do i.e., on the basis of the study of internal factors.

3. Development of alternative courses of action

The next step in planning is to develop as many alternatives as possible. Every objective can be achieved in a number of ways. For example, to fulfil the objective of increasing the income of a business unit, managers can use any one or more of the following methods:

- Increase the sale of its existing products
- Improve product quality
- Produce and sell new products
- Increase the prices of products
- Reduce the wages of workers.

Similarly, a manager can think of increasing the efficiency of employees by increasing their salary, by providing good working conditions and by strict supervision. For each decision, managers should develop as many alternatives as possible so that they can select the best course of action.

4. Evaluation of alternatives

Evaluation of alternatives is the fourth step in planning. When alternative courses of action are there before a manager, he has to examine the possible results of each course of action before selecting the best course. All the alternatives need not be evaluated. Evaluation is a difficult task. For certain courses of action it may be possible to estimate the future results. Certain alternatives may not be practicable. Managers should ignore the alternatives which seem to be impracticable. For example, to
maximise income, managers may not think further about reducing the wages of workers. If wages are reduced, strike may follow and there will be dissatisfaction among workers. Similarly, if prices are increased, the business unit may not be able to face competition in the market. After ignoring the alternatives which are not at all in the interest of the organisation, managers should evaluate each of the remaining alternatives so that the right decision can be taken.

5. Selecting the appropriate course of action

Selecting a course of action is the final step in the planning process. After each alternative has been evaluated, the selection of a course of action will be an easy task. The manager will select that alternative which gives maximum benefit at minimum cost. In selecting the best course from among the alternatives, managers should keep in mind the critical or limiting factor. A limiting factor is one which stands in the way of the achievement of objectives. For example, if managers find that they can increase the income by increasing production, but do not have the necessary capital to buy raw materials, appoint more people, or purchase additional machinery, then capital becomes the limiting factor. In this case, managers cannot decide to increase production. They will have to select an alternative which does not require more capital.

In making the final selection from among the alternative courses of action, managers should be guided by

(i) Opportunities provided by the external environment.

(ii) The ability of the business unit to take advantage of these opportunities.

INTEXT QUESTIONS 12.2

A. Arrange the following steps in the planning process in proper sequence by writing a,b,c,d and e in the space provided against each:

( ) (i) Development of alternative courses of action.

( ) (ii) Evaluation of alternatives

( ) (iii) Establishing objectives

( ) (iv) Selecting a course of action
Planning

B. State which of the following assumptions relate to external and internal conditions. Write (E) for external conditions and (I) for internal conditions in the space provided.

( ) (i) Market and competitive factors
( ) (ii) Requirements of machines and equipment
( ) (iii) Employees
( ) (iv) Government and legal factors
( ) (v) Requirement of raw material

WHAT YOU HAVE LEARNT

- Planning is determining objectives and deciding a course of action to achieve those objectives. It means deciding in advance what to do, how to do it, when to do it, and who is to do it.

- The important features of planning are that: (a) it is based on objectives; (b) it is a primary function of management; (c) it is based on facts; (d) it is a function of every manager; (e) it is concerned with future; and (f) it has to deal not only with the future but also with the changes in conditions which may take place in future.

- The planning process consists of the following steps:
  
  (a) Setting objectives is the first step. Objectives are the end-results which managers wish to achieve during the plan period.

  (b) The next step is to make assumptions about future conditions i.e. to establish planning premises. Planning premises may be external and internal. External planning premises relate to conditions existing outside an organisation. Internal planning premises relate to conditions within an organisation.

  (c) The next step is to develop alternative courses of action. Alternatives are the different ways of achieving the same objectives.

  (d) Evaluation of alternatives is the fourth step.
(e) Selecting a course of action is the final step. Managers select that alternative which gives maximum benefits at minimum cost.

TERMINAL EXERCISE

1. Describe the meaning and features of planning.
2. Explain the various steps in the planning process.
3. Answer briefly:
   (a) What is the meaning of planning premises?
   (b) What is the need for developing alternatives?
   (c) Is it necessary to evaluate each alternative?
   (d) Enumerate the steps in planning process.
4. Explain the meaning of external planning premises. Discuss the factors in external environment which affect the functioning of a business unit.
5. What do you understand by internal planning premises? Why is it important to study the internal environment?
6. Why is planning considered a primary function of management?
7. Why is planning important in business? (Explain in 100 words)
8. Explain the meaning of limiting factors with a suitable example.
9. Following are the three alternatives of increasing the income of a business unit:
   (a) Increasing the sale of existing products
   (b) Increasing the prices of products
   (c) Reducing the wages of workers
   Suggest two more alternatives
10. Explain the meaning of objectives. (50 words)
11. Why is it considered a good idea to invite the participation of others in the organisation when setting objectives?
ANSWERS TO INTEXT QUESTIONS

12.1  (i) determining  (ii) before  (iii) facts
   (iv) organisation as a whole  (v) future
   (vi) workshop

12.2  (i) c  (ii) d  (iii) a
   (iv) e  (v) b

12.2  (i) E  (ii) I  (iii) I
   (iv) E  (v) I