

Planning

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Planning

- It determines how an organization can get to where it wants to go.
- Planning determines what an organization will do to accomplish its objectives.
- The fundamental purpose of planning is to achieve your objectives.
- In order to do that planners must keep in mind the organization's mission, environment, resources, and values. All of these play a part in successful planning.
- An important point about planning is that it helps managers think beyond the daily activities that surround them.

Importance of Planning in Management

(1) Planning Provides Direction:

- Under the process of planning the objectives of the organization are defined in simple and clear words. The obvious outcome of this is that all the **employees get a direction** and all **their efforts are focused towards a particular end**. In this way, planning has an important role in the attainment of the objectives of the organization.
- For example, suppose a company fixes a sales target under the process of planning. Now all the departments, e.g., purchase, personnel, finance, etc., will decide their objectives in view of the sales target.
- In this way, **the attention of all the managers will get focused on the attainment of their objectives**. This will make the achievement of sales target a certainty. Thus, in the absence of objectives an organization gets disabled and the objectives are laid down under planning.

(2) Planning Reduces Risks of Uncertainty:

- **Planning is always done for future and future is uncertain**. With the **help of planning possible changes in future are anticipated and various activities are planned in the best possible way**. In this way, the risk of future uncertainties can be minimised.
- For example, in order to fix a sales target a survey can be undertaken to find out the number of new companies likely to enter the market. By keeping these facts in mind and planning the future activities, the possible difficulties can be avoided.

(3) Planning Reduces Overlapping and Wasteful Activities:

- Under planning, future activities are **planned in order to achieve objectives.**
- Consequently, the problems of **when, where, what and why are almost decided. This puts an end to disorder and suspicion.** In such a situation coordination is established among different activities and departments. It puts an end to overlapping and wasteful activities.
- Consequently, **wastage moves towards nil, efficiency increases and costs get to the lowest level.** For example, if it is decided that a particular amount of money will be required in a particular month, the finance manager will arrange for it in time.
- In the absence of this information, the amount of money can be more or less than the requirement in that particular month. Both these situations are undesirable. In case, the money is less than the requirement, the work will not be completed and in case it is more than the requirement, the amount will remain unused and thus cause a loss of interest.

(4) Planning Promotes Innovative Ideas:

- It is clear that **planning selects the best alternative out of the many available.** All these alternatives **do not come to the manager on their own, but they have to be discovered.** While making such an effort of discovery, many new ideas emerge and they are studied intensively in order to determine the best out of them.
- In this way, **planning imparts a real power of thinking in the managers.** It leads to the birth of innovative and creative ideas. For example, a company wants to expand its business. This idea leads to the beginning of the planning activity in the mind of the manager. He will think like this:
 - Should some other varieties of the existing products be manufactured?
 - Should retail sales be undertaken along with the wholesales?
 - Should some branch be opened somewhere else for the existing or old product?
 - Should some new product be launched?
- In this way, many new ideas will emerge one after the other. By doing so, he will become habituated to them. He will always be thinking about doing something new and creative. Thus, it is a happy situation for a company which is born through the medium of planning

(5) Planning Facilitates Decision Making:

- Decision making means the process of taking decisions. Under it, a variety of alternatives are discovered and the best alternative is chosen. The planning sets the target for decision making. It also lays down the criteria for evaluating courses of action. In this way, planning facilitates decision making.

(6) Planning Establishes Standards for Controlling:

- By determining the objectives of the organization through planning all the people working in the organization and all the departments are informed about ‘when’, ‘what’ and ‘how’ to do things.
- Standards are laid down about their work, time and cost, etc. Under controlling, at the time of completing the work, the actual work done is compared with the standard work and deviations are found out and if the work has not been done as desired the person concerned are held responsible.
- For example, a labourer is to do 10 units of work in a day (it is a matter of planning), but actually he completes 8 units. Thus there is a negative deviation of 2 units. For this, he is held responsible. (Measurement of actual work, knowledge of deviation and holding the labourer responsible falls under controlling.) Thus, in the absence of planning controlling is not possible

Planning Process

There are several models that could be used for planning, but they are all very similar. This one should work fine as an example of effective planning. The planning process contains six steps:

- **Stating organizational objectives** – this is a necessary beginning point of successful planning and should remain a focal point throughout the planning process.
- **Listing alternatives for reaching objectives** – managers should list many different ways to possibly reaching the objectives.
- **Developing assumptions about each alternative** – managers should spend time thinking about what might happen depending on which alternative is chosen. Managers need to use their knowledge and experience to make solid assumptions.
- **Choose the best alternative** – evaluate the assumptions and choose the best alternative.
- **Develop plans to pursue the chosen alternative** – manager begins to develop plans.
- **Put the plans into action** – this is where the organization benefits from all the planning.

Types of Planning

- **Strategic planning:** Is a long-range planning that focuses on the entire organization.
- Strategic planning involves managers at the highest levels. Executive directors and presidents, leaders of the organization, are involved. They must have a part in where the organization is headed and how it will get there. Three years or longer is usually considered long range; however, many organizations seem to think five years is the right amount of time for planning long term.
- The nature of strategic planning is to develop strategies for achieving your objectives. Strategies must of course be consistent with the purpose and mission of the organization.

- **Tactical planning** is characterized as short-term planning.
 - This type of planning is usually confined to one year or less.
 - It is more concerned with current operations, and as such, usually involves mid level managers instead of the highest level managers.
 - Tactical planners are thinking about tomorrow and next week or next month and planning is much more detailed than strategic. Strategic is more broad.
- **Contingency planning** a term that is frequently used within organizations.
 - It simply means what does an organization do when something unexpected happens or when something needs changing.
 - Contingency plans may cause a manager to go back to the original planning and look at other alternatives.
 - Circumstances may dictate that a particular strategy didn't work and now a different plan must be used.
 - Contingency planning is kind of the “what if” way of thinking.
 - Contingency planning should continue to be more important with organizations as the world and businesses become more complicated.