

Unit-Three

**Planning**

# Meaning of Planning

- Initial and basic function of management
- Logical thinking process which determines when, where, how, why and who will do the specific job to achieve desired goal
- Process of outlining and deciding future courses of actions in advanced for attaining organizational goals
- Involves goal determining, formulating policies, developing procedures and programs, budgeting etc.
- Bridges the gap between the present state and desired future state

# Levels of Planning

- **Strategic Plan;** corporate or grand plans stating how a business organization will achieve the mission and predetermined objectives; specifies organization's mission, vision and objectives; prepared by top level management by considering long-term objectives; way of approaching business opportunities and threats
- **Tactical plan;** second level plan prepared by middle level management considering the targets of the department or branch; consistent with strategic plan and short-term in nature; involves allocation of divisional work, resources and utilization of them properly to support strategic plan; production plan, finance plan etc.

# Levels of Planning

- **Operational plan;** plans prepared by lower level management to achieve operational goals; considers the tactical plans of the respective department and specifies the procedures, schedules and processes for day to day activities of the operational unit; emphasizes on the best utilization of resources; maintenance plan is an example of operational plan

# Steps in planning/Planning process

- **Environmental Analysis;** pre-step in planning essential to analyses the strengths, weakness, opportunity and threats(SWOT) from the dynamic and complex environment for successful implementation of planning;
- **Setting Goals;** objectives or goals are targets that provide pathways and mechanism to organizational activities; objectives should be SMART; overall objectives and specific objectives should be developed by considering strengths and opportunities
- **Developing Planning Premises;** premises are certain assumptions about environment; market conditions, availability of resources, government policy, competition should be predicted

# Steps in planning/Planning process

- **Identifying Alternatives;** there may be various methods, persons, resources as alternatives to operate activities to attain goal; all the possible alternatives should be identified
- **Evaluating Alternatives;** each alternative should be examined logically on the basis of cost, time, risk, return etc. evaluation facilitates comparison
- **Selecting the best Alternative;** after evaluating the alternatives, planner has to select the best alternative by considering past experience, present situation and future contingencies

# Steps in planning/Planning process

- **Formulating Action Plan/Derivative Plans;** action plan for all departments and units should be formulated after selecting the best alternative; derivative plans are secondary plans or supportive plans and they support in implementation of main plan
- **Implementation of the Plan;** brings all the procedures, programs, budget and policies of plan into action otherwise, plan remains in paper only; involves providing instructions, supervision, control
- **Review and Follow up;** review of the process provides feedback to the planner to measure effectiveness and weakness of the process and facilitates corrective action

# Tools for Planning

- **Forecasting;** an important quantitative tool for planning; techniques such as time series analysis, regression analysis, extrapolation method etc. are used to estimate sales, income, expenses etc.
- **Network Method;** technique mostly associated with planning, implementation and controlling of project; planner should list out all the activities, events and critical time interval affecting entire project; PERT and CPM are common network methods
- **Linear Programming;** mathematical tool for getting optimal solution by making optimum combination of scarce resources and activities; generally used for maximizing profit and minimizing cost



# Tools for Planning

- **Simulation;** means to imitate the operation of real world based on assumptions; mostly applicable in very complex situation where diverse constraints and opportunities are found; computer programming is used for combining variables
- **Break-Even Analysis;** technique identifying the sales unit at which revenue is just sufficient to cover total cost; helpful to analyze cost, quantity and profits
- **Flow Chart;** is used to eliminate wasted steps and activities to simplify work ; involves defining, standardizing and communicating the process; works as the guide for a program

# Planning premises

- premises are certain future assumptions about environment; market conditions, availability of resources, government policy, competition should be predicted
- Planning is formulated on certain assumptions or premises, since the future is uncertain; hence premises may be described as estimates made for future
- Internal premises are related to the internal environment of the organization; assumptions about the organizational resources, policies, programs; culture etc. while external premises consists political, socio-cultural, economic and technological forces of external environment
- Tangible premises can be expressed in quantitative terms such as, production units, cost, market share, profit; whereas, intangible premises includes qualitative aspects such as, employees morale, satisfaction, goodwill

# Pitfalls/Limitations of Planning

- **Inflexibility;** no scope for modification or improvement by middle or lower level even when they feel it to be ineffective
- **Lack of control;** external environmental factors are not under the control of managers that may not as per planning premises; those forces greatly influence proper implementation of planning
- **Avoid intuition and creativity;** provides roadmap of organizational functioning and employees are more focused on it which may inhibit employee intuition and creativity

# Pitfalls/Limitations of Planning

- **Time consuming;** takes more time in thinking, analysis, estimation, evaluation and implementation; due to long time planning may be ineffective
- **Expensive;** needs more money to analyze environment, develop and evaluate alternatives and so on, it may also need experts, and consultants for proper suggestions
- **Insufficient information;** chances of not getting reliable, sufficient and up to date information; managers have to formulate plan on the incomplete and current data only

# Improving Planning

- **Setting clear goals;** overall goals, departmental goals and individual goals should be clear, specific and synchronized
- **Proper understanding;** participative management should support for proper understanding
- **Management Information System;** provides reliable, relevant and sufficient data for formulating effective plan
- **Flexibility;** plan should be modified and adjusted as per situational change; should have provision for making change in its components according to requirement

# Improving Planning

- **Economical;** process should not be expensive; managers should analyze the planning process from cost benefit perspective
- **Managerial efficiency;** planner must be dynamic person having good managerial ability; s/he must have knowledge of environmental analysis, forecasting, evaluation etc.
- **Planning must start at the top;** at the first, strategic plan should be developed by the top level ,then departmental and operational plans should be formulated to support strategic and tactical plans

# Decision Making

## Meaning

Decision making is the process of selecting the best alternative out of many alternatives for solving a problem. A decision is a choice from the available alternatives. Decision making is the process of developing and analyzing alternatives and making a choice.

According to J.L. Massie, “A decision is a course of action consciously chosen from the relevant alternatives for the purpose of achieving desired goals.”

# Types of Decisions

- **Programmed and Non-Programmed Decisions**

A fairly structured and repetitive in nature, it deals with routine problems and has a routine procedure for handling it, have short term impact on organizational activities, lower level managers can easily make such decisions, eg. granting leave to an employee

A relatively unstructured decisions and non repetitive in nature, it requires more time, energy, skills and resources for exploring the situation from all perspective; highly intellectual capacity, intuition, experience, creativity and judgement are essential for making such decisions; decision of opening new branch, launching new product etc.



# Types of Decisions

- **Strategic, Tactical and Operational Decisions**

Very complex and multi-dimensional decisions often made by top level management are called strategic decision; have long term impact on organization and represent a complex aspect of planning

Medium term or departmental decisions made by middle level Management are called tactical decisions, such decisions are made to support strategic decisions, have medium term implications

Short term decisions made by lower level management to solve day to day problems are called operational decisions; have short term implication; should be consistent with tactical decision

# Types of Decisions

- **Individual and Group Decisions**

Individual decisions are those decisions in which only one person involves in decision making process; there is no participation of other people hence single person makes decision including his/ her idea, experience, knowledge

When two or more people combine their ideas, knowledge, experiences in taking decisions such decisions are called group decisions; all participants actively share their ideas in discussion and after consensus or majority decisions are made

# Types of Decisions

- **Routine and Basic Decisions**

Decisions related to day to day activities are called routine decisions; programmed decisions are routine decisions; they are carried out easily and quickly but authority should be provided the decision makers

Very important decisions those affecting the long term organizational goals are called basic decisions; they are related to the policy, strategy and mission of the organization; for instance, changing the product line, enter into merger, lowering price of product

# Decision Making Process

- **Identification of problem;** problem is base of decision which should be identified properly; the root causes of problem should be correctly understood that solves the half problem
- **Developing Alternatives;** problem may have several alternative solutions, decision maker should identify all the possible alternatives ; it provides many choices to select the best one
- **Evaluation of Alternatives;** act of determining value of each alternative in term of cost, time, profit and risk; essential to know the strong and weak points of each alternative and to make comparison

# Decision Making Process

- **Selection of the best Alternative;** the best alternative should be selected on the basis of evaluation; decision maker should consider past experience, present situation and future consequences in selecting the alternative
- **Implementation of Alternative;** decisions are worthless if they are not implemented properly in time; it is the operational part of the process; for this purpose, authority should be granted to the workers
- **Review and Follow up;** results and the effects of implementation should be regularly reviewed and monitored to minimize the chances of losses; it helps to take corrective action in time for improvement

# Decision Making Conditions

- **Condition of Certainty;** condition when decision maker is well informed about possible alternatives and their outcomes; it is very easy situation for making decision but rarely found in real world in practice; exists in case of routine decisions
- **Condition of Risk;** a common condition when decision maker is aware about the alternatives but unaware about the outcomes; it is more difficult situation managers can only guess the outcomes of the decision
- **Condition of Uncertainty;** a complex situation when decision maker is fully unknown about the alternatives and outcomes; it exists when the future environment is unpredictable and more dynamic; decision makers should have to make certain assumptions about situation depend on their judgement and experiences