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Principal Investigator	Co- Principal Investigator	Co- Principal Investigator and Technical Coordinator
Prof K V Bhanu Murthy Professor Department of Commerce University of Delhi	Dr Jaswinder Singh Principal SGTB Khalsa College University of Delhi Delhi-110007	Dr. R P Singh Associate Professor SGTB Khalsa College University of Delhi Dr Vimal Rarh Deputy Director, Centre for e-Learning and Assistant Professor, Department of Chemistry, SGTB Khalsa College, University of Delhi <i>Specialised in : e-Learning and Educational Technologies</i>
Paper Coordinator	Content Writer	Reviewer
Dr. Ajay Kumar Singh Associate Professor Department of Commerce Faculty of Commerce & Business Delhi School of Economics University of Delhi	Dr. Nidhi Dhawan Zakhir Hussain College Assistant Professor University of Delhi	Dr Namita Rajput Associate Professor Sri Aurobindo College, University of Delhi
Anchor Institute : SGTB Khalsa College, University of Delhi		

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1. Learning Outcomes

After studying this module, you shall be able to

- Learn about Planning as a function of Management
- Identify the nature of planning
- Learn about the essential of a good plan
- Identify steps in planning
- Understand various types of planning such as corporate, functional, strategic, etc.
- Identify variety of plans in the organization such as standing and single use plans
- Learn about the concept of Management by Objectives (M.B.O.)
- Appreciate that there are many ways of creating a policy in the organization
- Learn about different types of policies on the basis of different parameters
- Learn about the importance of planning

2. Introduction

Introduction

Planning is the determination of the future course of action to achieve the desired result. It is regarded as a decision making activity in order to achieve goals and decision making is related with thinking of various alternatives and deciding out of various alternatives the best one to reach to our goals. In other words, planning is to decide about the best course of action to be taken from all the available alternatives. Talking in terms of origination manager decides what, how, when, and by whom it is to be done. A proposed draft of planning is prepared in advance in detail with the help of procedures, programs, policies, and budgets.

3. Definition of Planning

According to Haimann, “Planning is deciding in advance what is to be done”.

According to Koontz and O’Donnell “Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it.”

4. Nature of Planning

As we know, that manager by anticipating future problems has to analyze the problems first, find out, how these problems are going to affect the organization and on that line; he has to decide the plan of action to reach to the desired goal that makes a move towards the solution to the problems. The basic nature of planning is stated as follows:

1. Planning is an intellectual process because it is a mental exercise before taking any action. A manager must have a capability of extracting ideas and also anticipating in advance the impact of the many possible outcomes on the future task. This intellectual

- ability may vary from person to person and so would be the final plan of future action to be taken.
2. Planning is a continual process which means that it is a never ending activity, a manager at workplace thinks for a particular plan for certain goal and that is accomplished, the planning starts for another objective and soon. Planning starts at the very outset of the setting up of the organization and till it goes on.
 3. Planning is goal oriented means there is planning only if there are goals. To achieve goals, policy, plans, rules, procedures, etc. are laid out that involves planning. A planning would be an empty mental exercise without having any objective.
 4. Planning is a primary function. It is required in every phase. Unless we plan, we can't decide and we unless decide, we cannot achieve targets. Plan comes first through mental exercise and so it is a primary function. It is not possible to compare the targets achieved if there is no plan initially.
 5. Planning is all pervasive. It is required at all the levels of management, a pervasive activity covering the entire enterprise. A manager cannot be a good manager, if he cannot plan.

5. Characteristics of a Good Plan

The basic characteristics of a good plan are stated as follows:

- It should be based on clearly defined objectives
- It must be capable of integrating different activities
- It should clearly understood by those involved in completing the targets
- It must be comprehensive for the attainment of the objectives
- Plan is conducted at different levels, so it is necessary that different types of plan must fit together, their purpose, their timings should be arranged so that necessary coordination results
- Plan must be economical, check the resource availability and their effective utilization
- Plan must incorporate the feature of flexibility, and
- Plan must facilitate control to check for any deviation in the actual plan

6. Steps in Planning

A plan good for one objective may not be applicable for the attainment of other objective. A planning process may differ from one organization to other. The basic planning steps are given below; applicable to almost all types of plans, may be with few modifications.

1. Determination of the objectives of the enterprise which should be specific and clear to indicate what is to be done.
2. Deciding planning premise i.e., assumptions about the future because a plan is for the future and future is uncertain and so the assumptions made about the future need to be realistic and correctly constituted. Premises are of two types: External is about economic, political, and social environment. Internal is related with the rules, policies, and procedures, etc., within the organization.
3. Various available alternatives are identified because a number of alternatives would be available for getting a desired result.

4. Evaluation of alternatives in terms of cost, risk, benefit, etc., is required. There is a need to see the best fit alternative. There may be profitable alternatives with heavy investments or a risky investment proposal with low amount of investment. There is a need to make effective and detailed evaluation before the final selection is made.
5. Selection of best alternative after all the alternatives has been evaluated. It is always better to select more than one alternative because the selection is based on premise which is based on the future and future is uncertain, so in case of change of premise, alternative may also change.

7. Types of Planning

On the basis of organizational activities, the following are the different types of plans that can be created:

1. **Corporate Planning:** Planning and determination of long term objectives of entire corporate activities including organizing the work, people, and to sustain so as to enable to attain these objectives. Examples of Corporate plans- elevating ones business; increasing profitability, increasing market share, expanding current product lines to larger ones and all these would include developing general direction, guidelines, and overall strategic direction.
2. **Functional Planning:** A planning related with functional departments such as finance, marketing, human resources, etc., of the organization. The activities of the departments are carried out on the basis of certain plans called functional area plans. This type of planning is a part of corporate planning. e.g., a functional level strategy can be for product development where a company has come up with a strategy for selling its goods and services to the customers. Always remember that a functional plan is a part of the organizations wider strategic plan.
3. **Strategic Planning:** A planning that defines the purpose, goals, and methods that will be used to accomplish the defined goals is a strategic planning. This planning identifies the gap between where we are and where we want to reach in order to analyze the possibility of various avenues through which it is possible to achieve the set targets. Three questions that arise out of strategic planning decisions are: what do we do? ; for whom do we do it? ; And how to excel? The basic components of this planning include a clear entity's vision, mission, values and strategies, e.g., the top management plans for the growth rate in sales, business expansion, analysis of environmental factors, starting new lines of business, etc., is a long term plan called a strategic planning. It includes a plan related to objectives, changes in the objectives of the organization, resources available for attaining objectives and also policy changes for achieving the desired goal.
4. **Operational Planning:** It is a short period plan of one year only that takes place at lower level of management at the time of execution. Such plan is related to every different department of the organization such as production, finance, marketing, etc. E.g., manufacturing plans are operational plans that may include inventory decisions, scheduling, supplier analysis, production costing, distribution, etc.
5. **Short Term Planning:** A planning period ranging from six months to one year. They are also called as supportive plans that help to accomplish the main objective. This is done at lower levels of management, e.g., a short term goal for advertising department may be to increase the advertising budget each month for the next three months; to redesign the customer service research process by including various offers and discounts.

6. **Long Term Planning:** Plans covering a period of more than three years is long term planning. It takes place at top level of management only, e.g., making management policies and procedures such as to achieve business revenue by the end of fiscal year, which will further help in achieving the short term goals; a long term plan to achieve at least 90 percent positive responses of customers on the offers and discounts so given to them.

8. Variety of Plans

After the objectives have been laid out by the management, the next task is to convert the objective into a plan to achieve these objectives. In other words, objectives are translated into plans. All the plans flow from the objectives and at the same time have to be made with the objectives in mind. There are variety of plans that can be formulated on the basis of kind, origin, and its use. The managerial planning includes the following plans:

- 1) **Standing or repeated plans:** These plans are formulated by top management once for all, for repeated used or to be use again and again. It includes plans related to procedures, methods, rules, regulations, and strategies that are explained below:

- a) **Objectives:** Objectives are the end result towards which all the activities are directed. They are also described as the end points or basis of planning. After the formulation of objectives, the manager in the organization can effectively plan rules, regulations, policies, procedures, etc., he can then only supervise, motivate, and direct the subordinates. It is only on the basis of objectives defined, managers can control and check whether or not the desired objectives have been attained or not. Effective management is management by objectives (M.B.O.). In this method, goals and activities are clearly and simply stated which the managers and the subordinates have to achieve these objectives that would be used as criteria for evaluating the performance of the subordinates. As results are to be evaluated in relation to objectives, MBO is also called as Management by Results. The various advantages that M.B.O. provides are unified planning, increased motivation, a basis for control, decentralization, defines performance of standards, and improved performance due to sense of involvement. In order to have M.B.O. in the organization, the following steps are to be followed:

- **Define Corporate Objectives:** These are the long term objectives defined for the survival, growth, and image of the company. The members are directed towards the attainment of objective.
- **Defining short term objective:** It is defining short term objectives keeping in view the attainment of the corporate objectives of the organization. These sub goals are the goals of the different departments or functional areas to decide as to what they are expected to contribute.
- **Individual objectives:** The managers at different levels must have defined objectives and it must match the qualification of the manager so as to get the desired result.
- **Periodical Performance Review:** It is important to review the progress of the employees periodically and feedback should be given to the person concerned also so as to motivate him to accomplish the corporate objective.

- b) **Policies:** Policies are the guidelines for the members of the organization for the performance of their task. These are regarded as general statements for those who are involved in decision making. Policies are the guide to thinking, can be written or verbal, and created by top management for the attainment of the objectives. The basic principles or essentials of a good policy are stated as follows:
- It must be simple and easy to understand.
 - Clear and definite.
 - Always better to have policy in written form, though it can be oral also.
 - Clear communication of policy to the followers who are going to implement it is must.
 - Societal and national interest must not be affected by the policy.
 - The policy must be prepared after incorporating suggestions from the participants who are going to implement it.
 - The policy must be flexible in nature with high degree of permanency.
 - Adherence to Government rules, regulations, and policies must be taken care of before finalizing the corporate policy.
 - Review of policy periodically is also must to take into consideration the external environment threats and opportunities.
 - Policy must be different from rules and procedures of the organization.

Types of policies

The policies are created in the organization by the top management and the area of policy formulation is as varied as many activities of the enterprise. Policies can emerge in several commonly recognized ways such as on the basis of broadness, origination, expression, and freedom. All these policies are stated as under:

1. **Policies on the basis of Broadness:** The policies on this basis are:
 - a) **Organizational Policies:** These policies are created by the top management for the entire organization. They may be related to expansion, diversification, etc. They are the overall policies or broad policies of the organization, e.g., Organization fiscal policy, compensation policy, promotion and transfers policies, etc
 - b) **Functional Policies:** These policies are developed at different functional levels/ departments of the organization such as marketing policy, finance policy, personnel policy, research and development policy, etc.
2. **Origin as a basis for creating policies:** These policies are originated by managers at managerial hierarchy. Once the broad policies are developed by the top management which acts as a guide for various policies covering smaller areas of activities which are originated by the various managers lower down in the managerial hierarchy. These policies will definitely be achieving the corporate policies set by the top management. These types of policies includes:
 - **Appealed Policies:** These policies are created on the basis of the appeal made by the subordinates in the organization in exceptional case such as where subordinates cannot or not in a position to take a decision and appeal to his superior for the decision to solve the current problem. The decision which is taken by the superior then sets a policy and is known as appealed policy.

- **Imposed policy:** When pressure is exerted or imposed from the forces such as governmental rules, business houses, trade unions, labour laws, etc, such policies are created. Force, here, cannot be avoided and hence, there is a need to formulate the policy which is called as imposed policy.
3. **On the basis of Expression:** These types of policies include:
- **Written policies:** These are the recorded policies in writing to be essentially and explicitly stated to the employees of the organization. Policies should be clearly expressed and preferably in writing.
 - **Oral Policies:** When policies are not in writing and are spoken out to the users are verbal or oral policies.
 - **Implied policies:** These policies are neither in writing nor stated verbally. They may change from situation to situation and may be by only watching the behavior of the subordinates, managers of the organization can decide that the presence of implied policy be ascertained.
4. **On the basis of Freedom:** The policies on this basis includes:
- **General Policies:** These policies are the common policies for all and provide more freedom to the subordinates, such as goods can be sold on credit as sales policy.
 - **Specific Policies:** They are created for certain purposes and restrictive in nature and do not provide any freedom to the subordinates.
- c) **Procedures:** Procedure is a sequence of steps to attain the objectives. They are specific unlike policies which are broad guidelines. Procedures are guide to action, not a guide to thinking. Procedures are the chronological sequence in different areas to implement policies. Policies are directed towards objectives broadly whereas procedures are set in different areas in the form of steps to attain the goals. Procedures are developed under the policies which are guidelines, e.g., system instructions, report instructions, etc.
- d) **Rules:** Rules are rigid in nature. They are specific type of standing plans. A rule does not specify the sequence of steps to be followed though it is a guide to action. It is definite in nature, i.e., it must provide definite action to be taken or not taken in specific situating, e.g., Rule is “Smoking is prohibited in college campus”. Rules must be followed or there would be penalty imposed. Rules do not follow any procedure rather they provide uniformity in action and everyone has to follow it. It also provides for rationality in the behavior of the manager.
- e) **Strategy:** A strategy is a plan of action or unified or integrated plan in order to achieve goals and objectives of the organization. It is a broad plan for bridging the gap between where the organization is today and where it has to go in the future. Strategy provides answers to the questions such as who would be our customers, what are their interests and what they want to buy and why they should accept our products. Strategy is regarded as a long term objective that provides direction, leads to coordination, control, and optimum utilization of resources. It helps in facing the challenges of the dynamic environment that is comprised of threats and opportunities.

- 2) **Single Use Plans:** These plans are used for specific objective and time period only. Once the objective is achieved, plan lapses. They are formulated again for next coming periods may be for new projects, budgets, methods, etc. Such type of plans is explained below:
- a) **Budget:** A budget is prepared for the fixed time period and is a statistical estimate for future requirements. Budget can be a master budget; it can be related to production, sales, purchase, etc. The budget may be stated in terms of time, material, money or other units necessary to perform the work.
 - b) **Programs:** A program is a plan within a broad or bigger plan for attaining the enterprise goal for a specific situation only. Once the goal is achieved for a specific task, it is not used again, e.g., an expansion program for paper mill, which calls for preparing budget, creates policies, procedures, rules etc., for this purpose. Once the purpose for expansion is fulfilled, the specific plans made for this purpose will be given up.
 - c) **Projects:** A project is part of the general program. It is directed towards the attainment of its objectives, e.g., a project of building a dam, launching a new product in the market, etc. a project manager is responsible for handling the entire project such as formulation of programs, policies, budget, and setting up of ad-hoc administrative set up for the completion of the project.

9. Importance of Planning

Planning is concerned with future and which is filled with uncertainties and changes. The manager's task of planning is never completely finished as there is always a need to check, recheck, and modify the plans. Planning contributes in the following ways:

- It focuses attention on objectives which need to be clearly defined to all those in the organization who are to implement it.
- It aims at utilizing optimally all the resources (human and non-human) of the organization.
- Future uncertainties are reduced to great extent, though cannot be fully eliminated due to external environment impositions in the form of political, social, and other environmental factors. But by anticipating possible changes in the future helps in planning the future course of action, thus, minimizing the risk of uncertainty to great extent.
- Efficiency at workplace also increases when everything moves in a planned way that accomplishes the organizational goals within the available resources.
- Coordination at hierarchical level and in all the departments' increases because functional area planning is done that has an ultimate aim of fulfilling the corporate objective. Planning helps through setting plans for every department such as marketing, finance, production, etc.
- Planning facilitates the decision making process to select best alternative for the future out of the various alternatives available.
- Planning leads to control the performance on the basis of what is expected. For this, there is a standard target of work set for employees and then actual performance of employees is measured with the standard targets to make comparisons and find out deviations, if any, for further improvements.

10. Summary

- Planning is the determination of the future course of action to achieve the desired result. It is regarded as a decision making activity in order to achieve goals and decision making is related with thinking of various alternatives and deciding out of various alternatives the best one to reach to our goals.
- Planning is an intellectual, continuous, goal oriented, all pervasive, and primary function.
- Planning must be based on clearly define objectives, capable of integrating different activities, clearly understood by those involved in completing the targets, must be comprehensive for the attainment of the objectives.
- The planning encompasses certain steps such as determination of objectives, deciding planning premise, finding and evaluating various alternatives and selection of the best alternative.
- Planning can be of different types such as corporate planning, functional planning, strategies, operational, short term and long term planning.
- There are varieties of plans such as standing and single use plans. Standing plans include objectives, policies, procedures, rules, and strategy.
- Single use plans include budgets, programs, and projects.
- Effective management is management by objectives. Goals and activities are clearly and simply stated which the managers and the subordinates have to achieve and also these objectives would be used as criteria for evaluating the performance of the subordinates.
- Policies are the guidelines for the members of the organization for the performance of their task. These are regarded as general statements for those who are involved in decision making.
- Policies on the basis of Broadness include organizational policies and functional policies; policies on the basis of origination are appealed and imposed policy. Expression based policies are written or verbal policies, implied policies.