

# MODULE 3

## Planning

# Planning

- Nature & Importance
- *Planning is actually selecting missions and objectives as well as the actions to achieve them which requires decision making. A manager's most essential task is to see that each and every employee understands the group's mission and objectives and the methods for attaining them. If a group effort is to be effective, people must know what they are expected to accomplish. And this is the function of planning. Planning bridges the gap from where we are to where we want to go.*

# Types of Plans

- *Missions or Purposes:*
- *It identifies the basic purpose or function or tasks of an enterprise or agency or any part of it. E.g. Business - Production and distribution of products and services. State Highway Dept. – Design, Building and operation of a system of state highways. Court – Interpretation of laws and their application. University – Teaching, research and providing services to the community. In 1960s the mission of NASA, National Aeronautics Space Administration was to get a person to the moon before Russians.*

# Types of Plans

- *Objectives or Goals: They are the ends towards which an activity is aimed. It represents the end points of organizing, staffing, leading and controlling*
- *Strategies : It is the determination of the basic long term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goal*

# Types of Plans

- *Policies: They are the general statements or understandings that guide in decision making. Policies define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to an objective. Policies help decide issues before they become problems; make it unnecessary to analyse the same situation every time it comes up, unify other plans thus permitting managers to delegate authority and still maintain control over what their subordinates*

# Types of Plans

- ***Procedures:*** *They are plans that establish a required method of handling future activities. It is a chronological sequence of required actions. Procedures are guides to actions, rather than to thinking. E.g. Appraisal process of Western University*
- *Step 1. Setting performance objectives*
- *Step 2. Performing mid-year review of the objectives*
- *Step 3. Conducting performance discussion at the end of the period.*
- *E.g. Company policy – Grant employees vacations Company procedure – provide for scheduling vacations to avoid disruption of work, setting rates of vacation pay...etc.*

# Types of Plans

- ***Rules:*** *They spell out specific required actions or non-actions, allowing no discretion. Policies are meant to guide decision making by marking off areas in which managers can use their discretion. Whereas rules allow no discretion in their application.*
- ***Programs:*** *Programs are a complex of 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. E.g. Program formulated to improve the morale of workers in a department.*

# Types of Plans

- ***Budgets:*** *A budget is a statement of expected results expressed in numerical terms. It is a quantified plan. Financial operating budget is called profit plan. A budget may be expressed in terms of labour-hours, units of product, or machine hours ...etc. Making a budget is clearly planning, it is the fundamental planning instrument in a company. It is a numerical compilation of expected cash flow, expenses, revenues....etc.*



# Steps in Planning

- *Being Aware of opportunities.*
  - *It is preliminary look at possible future opportunities.*
    - *The Market , Competition, What Customers want, Our strengths*
    - *Our Weakness, SWOT Analysis*
- *Establishing Objectives*
  - *Objectives specify the expected result and end points of what is to be done,*
- *Developing Premises*
- *This is to establish, circulate and obtain agreement to utilize critical planning premises such as forecasts, applicable basic policies and existing company plans.*
- *Determining Alternative Courses*
  - *The more common problem is not finding alternatives but reducing the number of alternatives, so that most promising may be analysed*

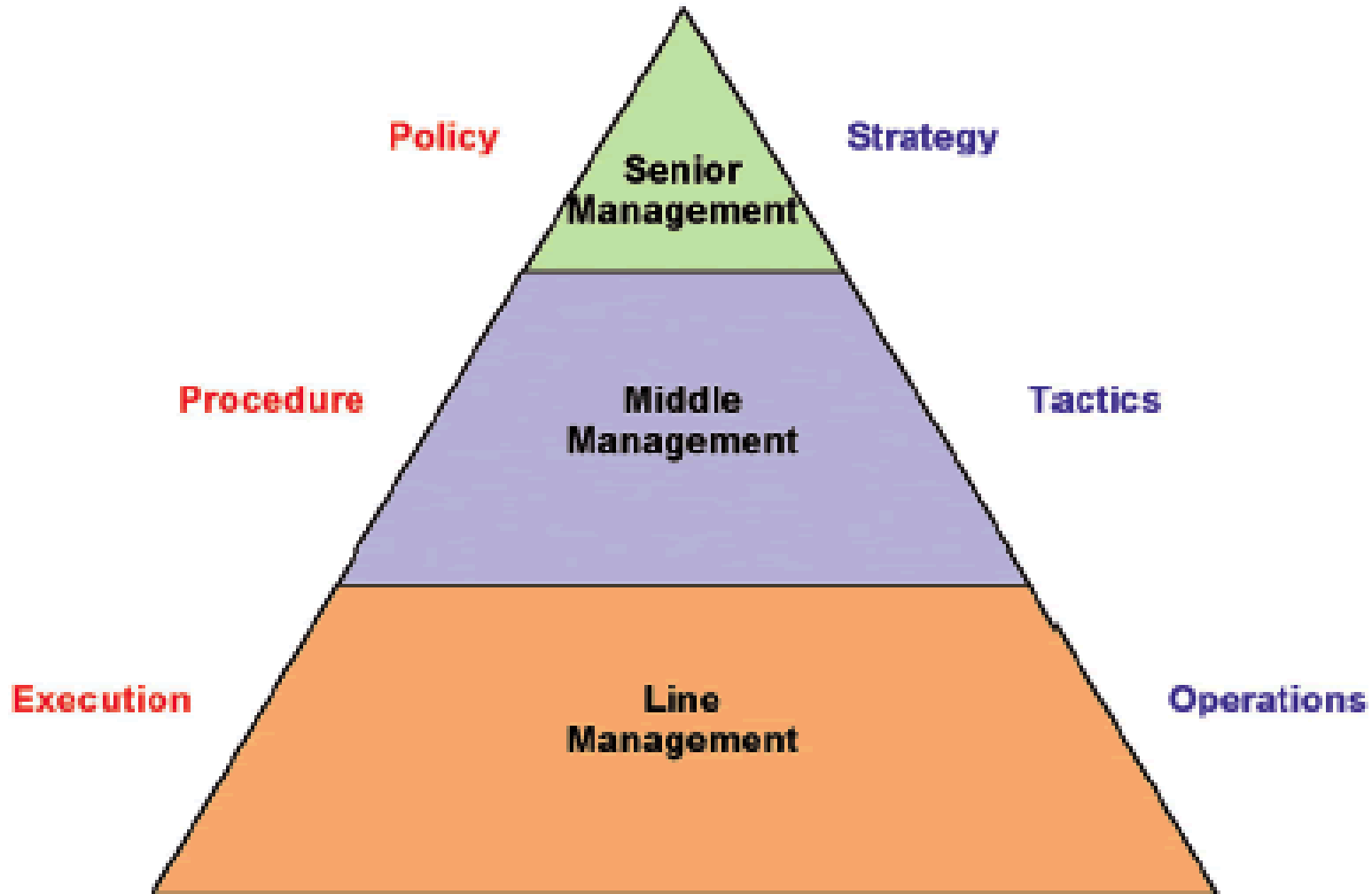
# Steps in Planning

- *Evaluating Alternative Courses*
  - *When we have alternative courses with us the next step is to examine their strong and weak points and evaluate by weighing them in light of premises and goals*
- *Selecting a Course*
  - *This is the point at which the plan is adopted.*
- *Formulating Derivative Plans*
  - *Derivative plans are subsidiary plan which would integrate towards the basic plan*
- *Quantifying Plans by Budgeting*
  - *The overall budget of an enterprise represents the sum total of income and expenses with resultant profit or surplus and the budgets of major balance sheet items such as cash and capital expenditures.*

# Levels of Planning



# Levels of Planning



# Steps in Planning

- **I. Strategic Plan**
- *A strategic plan is a high-level overview of the entire business, its vision, objectives, and value.*
- *The crucial components of a strategic plan are:*
  - **1. Vision**
  - *Get a bird's eye view of management*
  - **2. Mission**
  - *The mission statement is a more realistic overview of the company's aim and ambitions.*
  - **3. Values**
  - *"Inspire. Go above & beyond. Innovate. Exude passion. Stay humble. Make it fun"*
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# Steps in Planning

- ***II. Tactical Plan***
- *The tactical plan describes the tactics the organization plans to use to achieve the ambitions outlined in the strategic plan*
- ***1. Specific Goals with Fixed Deadlines***
- ***2. Budgets***
- ***3. Resources***
- ***4. Marketing, Funding, etc.***

# Steps in Planning

- **III. Operational Plan**
- *The operational plan describes the day to day running of the company*
- **1. Single Use Plans**
  - *These plans are created for events/activities with a single occurrence.*
- **2. On-going Plans**
  - **Policy:** *A policy is a general document that dictates how managers should approach a problem.*
  - **Rule:** *Rules are specific regulations according to which an organization functions.*
  - **Procedure:** *A procedure describes a step-by-step process to accomplish a particular objective*

# *Management By Objectives (MBO)*



# MBO

- *MBO is a process where by the superior and subordinate managers of an enterprise jointly*
  1. *Identify its common goals*
  2. *Define each individuals major areas of responsibility in terms of result expected of him*
  3. *Use these measures as guides for operating the unit and assessing the contribution of its members*

*At the end of the pre decided period , the subordinate's performance is reviewed in relation to the present goals. Both superior and subordinate participate in the review.*

*If after evaluation it is found that there is some discrepancy between the work planned and the work accomplished, steps are suggested to overcome the problems or to make necessary adjustments in the original plan.*

# MBO

- Objectives:- It is intended goal which prescribes definite scope and suggest direction to efforts of a manager.
- Need for Objectives :- Management is the art of getting things done through people. In a competitive economy things will not get done well unless every one concerned in an enterprise knows what the objectives and targets are and accepts them as being worth attaining.
- Requirements:- For achieving company goals all, i.e individuals as well as departments should work in the same direction, It should be clearly defined and communicated to all, It should be reviewed after definite time period for adjustments if necessary.

# MBO

## *Nature Of Objectives*

1. *Short Term : E.g. Expediting the works lagging behind the schedule*
2. *Long Term : E.g. Planning for diversification*
3. *Specific : Decision of pricing policies*
4. *General : Objective of increasing productivity*

# MBO

## *Types Of Objectives*

### ***Broad Objectives :***

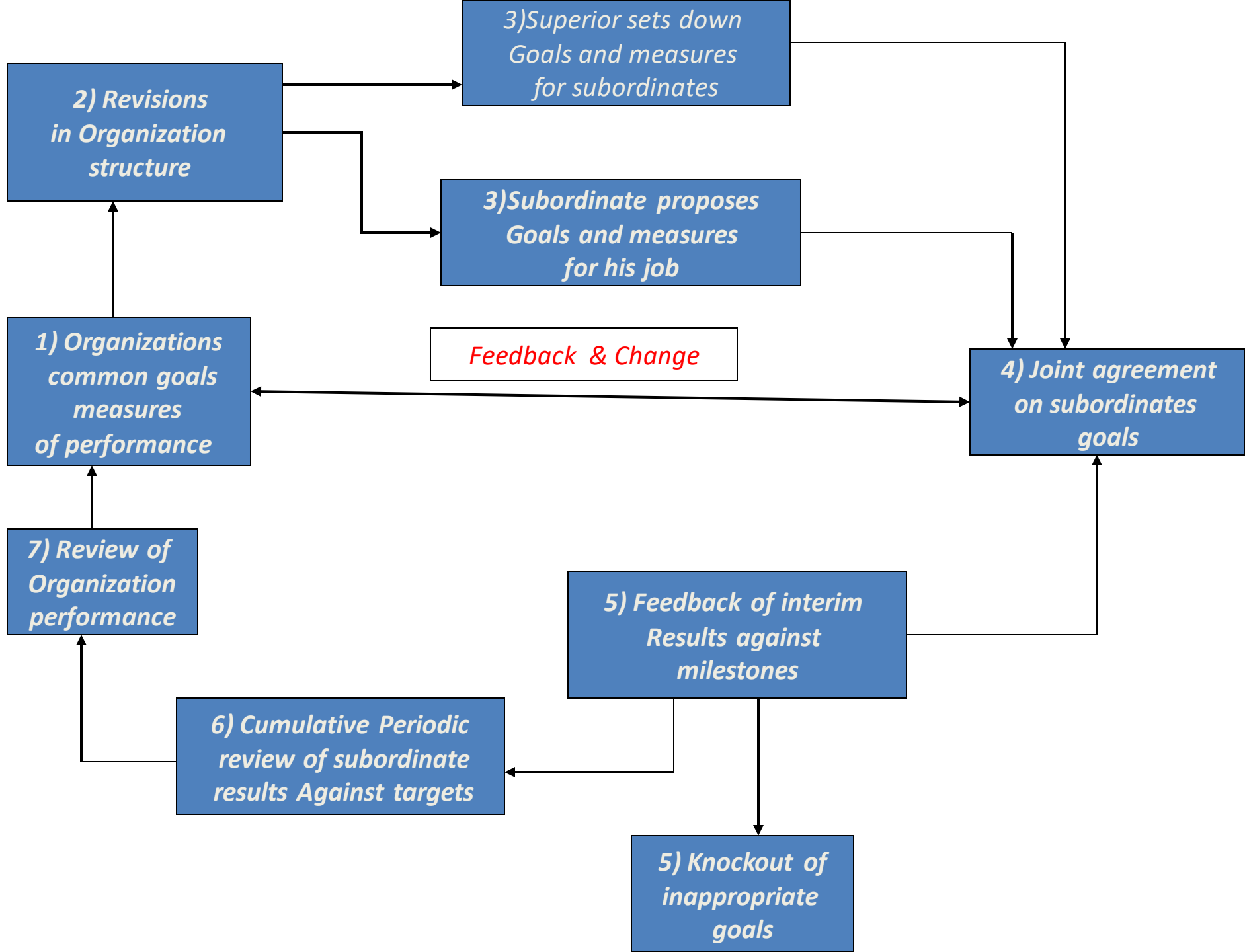
*It is a statement of the standing the company wishes to achieve E.g. To manufacture high quality products and to strive to make them better at lower costs.*

### ***Major Objectives :***

*Major objectives include market shares, product plans, and plans to expand customer population*

### ***Lesser Objectives :***

*They are targets, budgets, and departmental objectives including those governing the performance standards of managers and the other members of the staff*



# Advantages of MBO

1. *Powerful tool in gaining mutual commitment and high productivity*
2. *Keeps company objectives constantly in view*
3. *Gives meaning and direction to people in an organization*
4. *Coordinates the efforts of various departments of an organization*
5. *Provides motivation because they work on objectives decided with their consent*
6. *It allows greater consistency in decision making*
7. *It forces management to think ahead in respect of its short term & long term goals*
8. *It helps to focus on key areas, and to isolate the problems preventing progress.*
9. *It assists managers in their own development and leads to an analysis of training requirements.*
10. *MBO leads to a better understanding between superiors and subordinates.*

# ***Limitations of MBO***

- ***Management working by Objectives may follow too rigid a pattern in thinking and action***
- ***Flexibility is always required for smooth running of a business***