
UNIT-6 NATURE & IMPORTANCE OF PLANNING

Structure

- 6.0 Objectives
- 6.1 Meaning of Planning
- 6.2 Nature of Planning
- 6.3 Importance of Planning
- 6.4 Factors That May Make Planning Effective
- 6.5 Barriers to Effective Planning
- 6.6 Summary
- 6.7 Keywords
- 6.8 Further Readings
- 6.9 Terminal Questions

6.0 OBJECTIVES

After completing this module you will be able to know:

- How Planning is important in functioning of an organization.
- The necessity and importance of planning.
- The steps involved in planning and factors to keep in mind that make planning effective.
- The barriers to effective planning

6.1 MEANING OF PLANNING:

It is rightly said “**Well plan is half done**”

Planning precedes action and is a preparatory step. It means looking ahead and chalking out future courses of action to be followed. Planning is done to achieve the objectives of the organisation. Without planning no business can function smoothly. Whenever there is a goal to achieve, planning is required otherwise the activities will go haywire. Plans are set within a timeframe and they set out how various resources of the organisation will work towards achieving the objectives.



(Image Source: <https://www.cmcrossroads.com/>)

Planning is the basic function of management. Planning is done to achieve the objectives of the organisation. Without planning no business can function smoothly. Whenever there is a goal to achieve, planning is required otherwise the activities will go haywire. Plans are set within a timeframe and they set out how various resources of the organisation will work towards achieving the objectives. Planning forms that part of management which lays down the objectives and various activities to be performed for the attainment of these objectives. It helps in deciding in advance, what is to be done, how it is to be done, when it is to be done, and by whom it is to be done? Answering all these things is called planning. It bridges the gap between where we are and where we want to go. It can also be said that plans are related to creativity.

Definitions of planning: Some important definitions of planning as given by various experts are:

According to **M.E Harley**,” Planning is deciding in advance what is to be done. It involves the selection of objectives, Policies, Procedures and Programs from among alternatives.”

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.”

Planning bridges the gap between where we are and where we want to go. It makes possible things to occur which would not otherwise occur.

6.2 NATURE OF PLANNING:

The nature of planning can be understood by examining its four major aspects. They are;

- **It is a contribution to objectives:** Planning helps in the achievement of enterprise goals and objectives. Plans focus on purposes. Planning identifies irrelevant actions and helps in determining actions which will lead toward the accomplishment of objectives and thus reduces wastages as well.
- **It is primacy among the manager's tasks:** Planning is the first function of management. All other functions like organising, staffing, leading and controlling follow planning. Without planning, other function of management cannot be completed.
- **It is pervasiveness:** Higher level managers formulate strategic plans while lower level managers are engaged in day to day planning within the framework of top level plans. Also, higher level managers spend more time in planning as compared to the middle level or lower level managers.
- **The efficiency of resulting plans:** Plans must be efficient. Efficient plans contribute to purpose and objectives by offsetting the costs and other unsought consequences. A plan can contribute to the attainment of objectives, but if it does so at too high or unnecessarily high costs, it is not efficient. It should aim at eliminating all wastages. Efficiency implies the normal ratio of input to output.

6.3 IMPORTANCE OF PLANNING

- **Primacy in Planning**

Planning precedes all other managerial functions. Since managerial operations in organisation, staffing, directing, and controlling are designed to support the achievement of organisational objectives. Planning establishes the objectives necessary for all group efforts.

- **To offset uncertainty and change**

Business environment is continuously changing and an organisation should work in that accelerating change. This change reflected in both tangible and intangible form. Tangible changes are in the form of changes in technology, market forces, and government regulations. On the other hand, intangible changes reflects in change in attitude, values, culture, etc. So in order to cope up with the requirements of such changes the organisation has to look to his future course of action which is mainly provided by the planning process.

- **To focus attention on objectives**

Sometimes people in the organisation may not be specific about its objectives because of lack of clarity precise definitions. In order to enforce managerial actions this should

be defined more precisely. When planning action is taken, the objectives are made more concrete and tangible.

- **To help in coordination**

Though all the managerial functions lead to coordination, the real beginning is made at the planning stage. Thus various departments work in accordance with the plan. It is true to say that the coordination is the essence of management and planning is the base for it.

- **To Help in Control**

Control is the art of checking and verifying whether the predetermined objectives are being done as per the plan or not. Control is exercised in the context of planning action as standards against which the actual results to be compared are set up through planning. At the control stage an attempt is made to monitor the performance on a regular basis so that immediate action can be taken if anything goes wrong.

- **To Increase organisational effectiveness :**

Planning ensures organisational effectiveness in several ways. The concept of effectiveness is that the organisation is able to achieve its objectives with available resources. Thus for effectiveness, it is not only necessary that resources are put to the best of their efficiency but also that they are put in a way which ensures their maximum contribution towards their organisational objectives.

WHY SHOULD MANAGERS PLAN?

Managers have several reasons for formulating plans for themselves, their employees, and various organizational units:

- To offset uncertainty and change;
- To focus organizational activity on a set of objectives;
- To provide a coordinated, systematic road map for future activities;
- To increase economic efficiency; and
- To facilitate control by establishing a standard for later activity.

Several forces contribute to the necessity for organizational planning. First, in the internal environment, as organizations become larger and more complex, the task of managing becomes increasingly complex. Planning maps out future activities in relation to other activities in the organization. Second, as the external environment becomes increasingly complex and turbulent, the amount of uncertainty faced by a manager increases. Planning enables organizations to approach their environment systematically.

A study out of Cornell University and Indiana University found that absenteeism cost companies \$40 billion per year; the absence of planning was one of the biggest problems businesses face. Firms that follow a clearly defined plan in their day-to-day operations will be more successful than those that do not. The authors state, “organizational controlled consequences that would tend to deter absenteeism.” Interestingly, this may be as simple as inspecting the organizational policies that provide the “rules” for employee absenteeism

From here it can be gathered that planning is inevitable for realization of organisational goals. Thus planning does the following:

➤ **Planning Provides Direction:**

Under the process of planning the objectives of the organisation 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.

➤ **Planning Reduces Risks**

Future is always uncertain or unpredictable. So by the help planning future activities are performed in the best possible way as a result the future risk of uncertainty can be minimised.

➤ **Planning reduces overlapping and wasteful activities**

Planning puts an end to the overlapping and wasteful activities. Planning results coordination between different activities in an organisation.

➤ **Planning Promotes innovative ideas**

Planning Leads to birth of innovative and creative ideas. He will always be thinking about doing something new and creative.

➤ **Planning Facilitates decision making**

It is an action process of making important decisions. 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.

➤ **Planning Establishes Standard of Controlling**

By determining the objectives of the organisation through planning, all the people working in the organisation are informed about ‘when’, and ‘what’ and ‘how’ to do things. 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.

6.4 FACTORS OF EFFECTIVE PLANNING

Factors that may make planning effective. It is important function of management and sufficient attention to it is necessary. The question that needs consideration is not whether the plans should be made or not but how well or effective they should be made.

Following factors helps to make planning more effective:

- **Giving more consideration to obtaining reliable facts:** Correct forecasting is the foundation of the successful planning. The correctness or otherwise of the plan depends on the adequacy and truth of those facts on the basis of which forecast is made. Hence, the planner must ensure the validity of the collected facts otherwise entire resources and efforts on planning exercise will get wasted.
- **Ensuring employees' participation in planning:** Plans should not be imposed. Rather, they should be formulated after consulting all the persons concerned as far as possible. When plans are formulated with the participation and cooperation of all, they will be more attached to them and make all efforts to implement them.
- **Studying deeply the external environment:** All those factors which are beyond the control of the planners must be studied deeply. External environment includes the policies of the government, political changes, competition, change in the consumers' taste etc.
- **Adopting the regular training system:** The lack of adequate mental ability and resistance to changes in plans are the problems which can be overcome by giving regular training to the employees. They should be made to learn about the importance of planning, and should be made aware of the art of planning, its implementation and adapting to changes as per the need of the hour.
- **Making Plan Simple and Practical:** Plans should be simple so that any individual with a general ability can easily understand them. Apart from being simple, plans should be practical also. Plans should be formulated keeping in view the available resources of the organisation.

6.5 BARRIERS TO EFFECTIVE PLANNING

- **Lack of Leadership:** Being a leader is about more than a title following your name. It requires developing a strategy and then expressing the vision in a clear way, so the entire team understands the goal. When a vision is clearly laid out,

business leaders must inspire team members to join the program for the new vision and implement new strategies.

- **Excessive Distractions Prevent Effective Planning:** Too many distractions present a significant barrier to effective planning. It could be that a leader is trying to implement too many things at once, and the team is confused about the priorities. Another way that a distraction prevents effective planning implementation occurs when a leader attempts to roll out a new program during a peak business season.
- **Lack of Systems:** Having the right systems in place to support a new strategy is important for success. Systems could include hardware or software systems or could be something as simple as the fulfillment process chain of events. Leaders need to look at the resources in place before implementing a new strategy. For example, a new customer-retention management program might help the team become more efficient from the sale through the delivery of goods.
- **Limited Manpower to Complete Tasks:** Some strategies require a bigger labor force. Without it, seeing a new strategy implemented effectively has potential problems. For example, a new lead-generation plan could do a great job of flooding your sales team with leads. However, if the sales team doesn't have the capacity to follow up with all the leads, the strategy wastes money and burns prospects.
- **Inadequate Resources and Funding:** You may have a great plan but don't have the resources to execute it properly. A lack of resources can impact marketing, talent acquisition and new distribution programs. Bootstrapping new changes can strain the team as it implements something that isn't ready to go. When you don't have the funding, segment the strategy and roll it out in phases that meet budget limitations.
- **Impractical Business Planning:** Some ideas are just not practical. Don't be stubborn about the execution of a new strategy. A strategy is a concept that is fleshed out during implementation. Business leaders must be flexible to see what is working and what isn't working in the strategy and make adjustments accordingly.

6.6 LET US SUM UP

Planning is the process of thinking about the activities required to achieve a desired goal. It is the first and foremost activity to achieve desired results. Planning is the

process by which an individual or an organization decide upon the future course of action. The purpose of every plan and derivative plans is to facilitate the accomplishment of enterprise purpose and objectives planning is the primary management function, but it is included in the other managerial functions. The efficiency of a plan is measured by the amount it contributes to purpose and objectives.

6.7 KEYWORDS

- **External Environment:** An external environment is composed of all the outside factors or influences that impact the operation of business.
- **Controlling Standard:** A control standards is a target against which subsequent performance will be compared.
- **Plan:** A detailed proposal for doing or achieving something.
- **Planning:** The process of making plans for something.
- **Haywire:** Being out of order or having gone wrong. Emotionally or mentally upset or out of control

6.8 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005
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- JamesA F Stoner ,Edward Freeman and Gilbert, “Management”, 6th Edition, Pearson Education, 1995./ Prentice Hall of India Pvt. Ltd., 2007.
- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd

6.9 TERMINAL QUESTIONS

- Q 1 What is planning? Write the nature and characteristics of Planning.
- Q 2 Why Planning is given first priority in any business organisation?
- Q 3 What are the factors which are responsible to make a successful plan?
- Q 4 “Planning reduces overlapping and wasteful activities” Justify the statement.
- Q 5 What are the barriers to an effective planning process?

UNIT 7 PRINCIPLES AND PROCESS OF PLANNING

Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Principles of Planning
- 7.3 Process of Planning
- 7.4 Planning and Forecasting: A Comparison
- 7.5 Planning is an Intellectual Process
- 7.6 Why Plan Fails?
- 7.7 Let us Sum up
- 7.8 Keywords
- 7.9 Further Readings
- 7.10 Terminal Questions

7.0 OBJECTIVES

After studying this unit, you will be able to understand:

- The Basic Principles of Planning
- The Process of Planning
- The difference between Planning and Forecasting
- The reasons behind failing of a plan.

7.1 INTRODUCTION

Planning is the process by which the managers of an organisation set objectives, make an overall assessment of the future, and chart the courses of action with a view to achieving organisational goals. Planning is the process of thinking about the future course of action which is required to achieve a specific goal. It explains about what course of action is required to be taken, when is the right time, by whom and where. Also, it explains the best scenario, the worst case scenario, and the most expected case etc.

From this definition it follows that the planning process involves:

- The determination of appropriate goals and objectives,
- The specification of the actions needed to reach the established objectives; and
- The optimum period of time for achieving them.

Henry Fayol views: “The plan of action is, at one and the same time, the result envisaged, the line of action to be followed, the stages to go through, and methods to use.”

7.2 PRINCIPLES OF PLANNING

- **Principles of Contribution to Objectives:** According to this principle, every plan and sub plan should have some positive contribution towards achieving the goal of the organisation.
- **Principles of Planning Promises:** While formulating the plans, a complete, clear and reliable knowledge should be collected and forecasts should be well prepared. Principles of planning requires planning related to the future and future is completely based on assumption.
- **Principles of Efficiency:** The efficiency of planning depends on the results. This principle tells that the maximum output should be extracted out of minimum and efforts. If the final goal is not being achieved then it may be called inefficiency in planning.
- **Principles of Primacy:** As planning is the very first function of management on which attention is much be given on priority.
- **Principles of Flexibility:** According to this principle a plan should be flexible. Flexible plans may be revised, in accordance with the changed requirements and the losses may be averted or minimized.
- **Principles of Timing:** This principle states that there should always be certain time limit for the accomplishments of planning.
- **Principles Alternative:** The success of plan depends upon the correct decision taken. According to this principle, the best, which may contribute towards achieving the determined objectives in decided time, at the lowest cost, be selected.
- **Principles of Cooperation:** The success of every plan depends on the cooperation of the organisation. This can remove unnecessary hurdles and obstacles of the organisation.

However, to plan any kind of work, the following facts demand utmost attention:

- The nature, quality and quantity of work to be done, the best way of doing it, the time available for its accomplishment, how to do it, when it is to be done and who are to do it.
- Adequate knowledge about the capacity of the force available through observations and experiments and from established standards.
- The priority to be given in succession for the accomplishment of different tasks through careful analysis.

7.3 PROCESS OF PLANNING

Planning process involves the setting up of business objectives and allocation of resources for achieving them.



(Image Source : <https://www.quora.com>)

- **Being aware of Opportunity:** It is the real starting point of planning. It includes identifying all possible future opportunities and then analysing them in the light of the organization's strengths & weaknesses.
- **Establishing Objective:** Objectives specify the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs.
- **Considering the planning premises:** Planning premises is the areas under which plans operate. This boundary is determined by both anticipated internal and external environment. These factors affect the practicality of planning and need to be forecasted

- **Identifying the alternative course:** There are many methods of doing work. On the basis of objectives of the organisation and the boundaries identified alternative courses of achieving the objectives should be discovered.
- **Implementing Plans :** After the formulation of plans, then it is required to implement the plan as per the pre-determined
- **Reviewing Plans:** The process of planning does not end with the implementation of plans. It is of great importance that there is a constant review of plans so as to ensure success in the uncertain future.

7.4 PLANNING & FORECASTING: A COMPARISON

Both Planning and forecasting are basic and most important managerial activities. They are closely related to each other. Planning gives answer to how, when and what to be done. It is a goal oriented activity which designs future course of action and provides future environment of organization.

Forecasting is the process of using past and present data and analysis of trends for predictions of the future. It helps the organization to cope with the future uncertainties. It is more advanced term of prediction. Forecasting is done with certain assumptions based on the experience of management, their knowledge, and judgment. An error in assumptions may result in forecasting error.

Steps in Forecasting:

- Analyzing and understanding the problem
- Developing strong foundation
- Collecting and analyzing relevant data
- Estimating future events.
- Finding reason for poor performance.
- Continuous follow up

Difference between Planning and Forecasting

1. Planning is the process of thinking about the future course of action in advance, whereas forecasting is predicting future performance of the organization on the basis of past and present performance and data.
2. Forecasting is done by different levels of experts or managers, economists or analysts employed by the organization. But, Planning is done by top level managers to formulate plans for the organization.

3. Planning is based on information, objective and forecast. Whereas, forecast is based on an assumption, postulation and certain degree of guess.

7.5 PLANNING IS AN INTELLECTUAL PROCESS

Planning is an intellectual and rational process. Planning is a mental exercise involving imagination, foresight and sound judgment. It requires a mental disposition of thinking before acting in the light of facts rather than guess. The quality of planning depends upon the abilities of the managers who are required to collect all relevant facts, analyze and interpret them in a correct way. How far into the future a manager can see and with how much clarity he will depend on his intellectual caliber, are chalked out through planning process. In thinking of objectives, alternative courses of action and, above all, in making decision for choosing certain alternatives, the planner goes through an intellectual process.

7.5 WHY PLANS FAIL?

Plans by themselves do not guarantee success. They need to be backed by focused effort. Even big organizations are not immune from problems and failures in the implementation of their plans. It often results in huge financial losses and loss of markets. According to one estimate, more than half of the projects initiated in the USA end up in failure, due to improper planning and poor execution. Plans may fail for many reasons. Some of them are listed below.

- **Unrealistic goals:** Goals must be realistic, precise, measurable and achievable. Otherwise, they cannot be translated into actionable plans or achieved with certainty. Frequent and unplanned changes to the original plan: The plan must be created in advance, before it is implemented. Frequent changes to the plans during the implementation phase will lead to many problems and resource constraints.
- **Unforeseen events:** The plan must accommodate unforeseen events, catastrophes and contingencies, since no one can predict future. Without backup plans and alternative solutions, plans may fail.
- **Unexpected changes in the macro environment:** It is difficult to predict the political, economic and legal changes that happen in the macro environment of a country or the world. They can often render the plans ineffective and useless.
- **Monetary and time constraints:** The success of any plan depends upon the availability of time and money. The constraints of time and money are largely responsible for the failure of many plans, especially those that involve complex, time consuming tasks and big budgets.

- **Lack of expertise and skills:** Many projects fail when organizations lose their skilled workers, or when they fail to recruit experts or skilled and knowledgeable people to perform specialized tasks.
- **Unrealistic expectations:** Many times, organizations draw unrealistic plans and set unrealistic goals, with an aim to save time and money. They may also set unrealistic expectations from their employees during the implementation, resulting in confusion, loss of morale and other problems
- **Improper planning:** Sometimes, plans are hastily drawn, without properly identifying priority areas or setting the goals or establishing proper accountability. Sometimes, these problems are detected very late in the implementation phase, resulting in loss of money, time and effort.
- **Lack of control and discipline:** Even the best plans will fail if they are not properly implemented. Those who are tasked with the implementation of the plan have a greater responsibility upon their shoulders to make it successful. If they are not up to the mark, the plan will fail.
- **Group dynamics:** Plans require group effort and the cooperation and contribution of many people. Plans can become derailed, if they do not work in harmony, if there are problems in communication or conflict resolution, or if there are leadership or motivational problems.

7.6 LET US SUM UP

Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen. Importance of Planning Function. Planning is a process which involves the determination of future course of action, i.e. why an action, how to take action, and when to take action are main subjects of planning. Planning is a dynamic process, it is very essential for every organisation to achieve their ultimate goals, but, there are certain principles which are essential to be followed so as to formulate a sound plan. Planning and forecasting both are related to the future events. However, Forecasting provides a base for planning and plays a vital role in the process of planning.

7.7 KEYWORDS

- **Macro Environment:** A macro environment is the condition that exists in the economy as a whole, rather than in a particular sector or region. In general, the

macro environment includes trends in gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy

- **Group Dynamics:** Group dynamics is a set of behavioural and psychological processes that occur within a social group or between groups
- **Planning Premises:** Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions
- **Intellectual Process:** Planning is an intellectual process - Planning is an intellectual process a Planning is a mental exercise involving creative thinking sound judgment.

7.8 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005
- R. Sivarethinamohan and P. Aranganathan, “Principles of Management”, 1st Edition, CBA/Tata McGraw -Hill Publishing Company Ltd., 2005.
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- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd

7.9 TERMINAL QUESTIONS

- Q1 What are the basic principles of planning in a management system?
- Q2 “Planning is an intellectual process” Explain.
- Q 3 Describe the process of planning.
- Q 4 What are the reasons of failing of a plan?
- Q 5 What are the facts need to be taken before planning?

UNIT-8 TYPES OF PLAN

Structure

- 8.0 Objectives
- 8.1 Introduction to Types of Plan
- 8.2 Types of Planning
 - 8.2.1 Corporate Planning & Functional Planning
 - 8.2.2 Operational & Strategic Planning
 - 8.2.3 Long Term Planning & Short Term Planning
 - 8.2.4 Proactive Planning & Reactive Planning
 - 8.2.5 Formal Planning & Informal Planning
- 8.3 Planning Premises
- 8.4 Let's Sum Up
- 8.5 Key Words
- 8.6 Further Readings
- 8.7 Terminal Questions

8.0 OBJECTIVES

After studying this unit, you will be able to know

- Differentiate between the uses of long-term plans, short-term plans, and operational plans.
- Differentiate between standing plans and single-use plans.
- Differentiate between forecasting, scenario planning, and contingency planning
- The details about planning premises

8.1 INTRODUCTION

Planning as a process involves the determination of future course of action, that is why an action, what action, how to take action, and when to take action. These are related with different aspects of the planning process. There may be several ways in which an organisation can undertake planning through the basic steps involved remain the same in each way. Planning can be differentiated on the basis of coverage of organisational activities, importance of contents in the planning process. Plans can be classified on the basis of time (long term and short term plans), on the basis of level (upper level,

middle level and lower level plans) and on the basis of repetitiveness (plans used only once and plans used many times)

- **Standing Plans:**

Standing plans are used over a long period of time, and can be altered as per the change in circumstances.

- (a) The policy: - Policy is a standing plan that furnishes broad guidelines for action which are consistent with reaching organizational objectives. For e.g. policy for employee interaction
- (b) Procedures: - Procedures are standing plans that outline a series of related actions that must be taken to accomplish a particular task. For ex. Procedures for internal reporting.
- (c) Rules: - Rules designate specific required action. A rule indicates what an organization member should or should not do. For ex. No smoking in the office or prescribing a dress code.

- **Single used plans:**

Single use plans are created to address short term challenges. They are narrow in scope as compared to standing plans.

- (a) Program: - Program is a single used plan encompassing a range of projects. e.g. Budget, which is a statement that expresses the expected results in numerical terms. It may be referred to as ‘a numbered program’.
- (b) Project: A project is a single used plan having less scope than a program. E.g. an outline for an advertising campaign.

Various organisational plans are interlinked and may be arranged in a hierarchy in which a higher order plan helps to derive a lower order plan. A lower order plan contributes to the achievement of the objectives of a higher order plan.

- **Hierarchy of Organisational Plans :**

- Mission or Purpose
- Objectives
- Strategies
- Policies
- Procedures & Rules
- Programs & Projects
- Budgets
- Quotas & Targets

8.2 TYPES OF PLANNING

Planning can be differentiated on the basis of coverage of organisational activities, importance of contents in planning process, time dimension in planning, approach adopted in planning and degree for formalisation in planning process.

8.2.1 Corporate Planning & Functional Planning

Corporate planning means planning at the top level, also known as corporate level, which cover the entire organisational activities. The basic focus of corporate planning is to determine the long term objectives of the organisation as a whole and to generate plans to achieve these objectives bearing the portable changes in the environment. Because of the long term orientation involved and strategic aspects covered in corporate planning, it is also used as synonymous to long term planning.

Functional Planning is segmental and it is taken for each major function of the organisation like productions/operations, marketing, finance, human resources. At the second level, functional planning is undertaken for sub functions within each major function. For example, marketing planning is undertaken at the level of the marketing department and to put marketing plan in action, marketing at sub functions of marketing like sales, product promotion, marketing research etc. is undertaken. The basic feature of functional planning is that it is derived out of corporate planning and therefore it should contribute to the later. This contribution is achieved by coordinating functional planning with corporate planning.

8.2.2 Operational Planning & Strategic Planning

Operational Plans are about how things need to happen. This type of planning typically describes the day to day running of the company. Operational Plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence. Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step by step process for accomplishing particular objectives.

Strategic Plans are all about why things need to happen. It starts at the highest level with defining a mission and casting a vision. Strategic planning includes a high level overview of the entire business. It's the foundation basis of the organisation and will dictate long term decisions. The Scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission & values.

8.2.3 Long Term Plan And Short Term Plan

Short Term Planning

Short-term planning looks at the characteristics of the company in the present and develops strategies for improving them. Examples are the skills of the employees and their attitudes. The condition of production equipment or product quality problems are also short-term concerns. To address these issues, you put in place short-term solutions to address problems. Employee training courses, equipment servicing and quality fixes are short-term solutions. These solutions set the stage for addressing problems more comprehensively in the longer term.

Medium-Term Planning

Medium-term planning applies more permanent solutions to short-term problems. If training courses for employees solved problems in the short term, companies schedule training programs for the medium term. If there are quality issues, the medium-term response is to revise and strengthen the company's quality control program.

Where a short-term response to equipment failure is to repair the machine, a medium-term solution is to arrange for a service contract. Medium-term planning implements policies and procedures to ensure that short-term problems don't recur.

Long-Term Planning

In the long term, companies want to solve problems permanently and to reach their overall targets. Long-term planning reacts to the competitive situation of the company in its social, economic and political environment and develop strategies for adapting and influencing its position to achieve long-term goals. It examines major capital expenditures such as purchasing equipment and facilities, and implements policies and procedures that shape the company's profile to match top management's ideas.

When short-term and medium-term planning is successful, long-term planning builds on those achievements to preserve accomplishments and ensure continued progress.

8.2.4 Proactive Planning & Reactive Planning

Proactive planning involves designing suitable courses of action in participating of likely changes in the relevant environment. Organisations that uses proactive planning use broad planning approaches, broad environmental scanning and decentralized control. These organisations don't wait for the environment change but they usually takes actions in advance. In India, most of the successful organisations adopt this proactive system of planning.

In case of reactive planning the organisation response after the environment change takes place. After the changes takes place, the organisations starts planning. The main limitation of this approach that the organisation will lose to those who adopt proactive system of planning. This approach of planning is highly suitable in an environment which is fairly stable over a long period of time.

8.2.5 Formal And Informal Planning

Formal Planning is a form of well structures process involving different steps. Generally large form of organisations undertake planning in a formal way in which they can create separate corporate planning cell. Generally such cells are staffed by different categories of people like Engineers, Statistician, MBAs, economists etc. depending upon the organisations business. When any event in environment shows some change, the cells go for the detailed study and also takes suitable measures. The planning process that is adopted is rational, systematic, well documented and regular.

Informal planning is adopted by small organisations. The planning process is based on the manager's gut feelings and intuitions rather than a systematic evaluation of environmental happenings. Since the environment of smaller organisation is not so complex, they do quite well in informal planning approach.

8.3 PLANNING PREMISES

The term premise refers to a proposition stated or assumed at the beginning of a deed. Using this term in the context of planning, it involves various assumptions under which plans are formulated. Since there are many factors which affect the implementation of plan, assumptions are made on the basis of these factors. For example a company introduces a new product in the market, it makes an assumption that the product will succeed by taking into account the various factors which are responsible for its success and failure. Thus planning premises both include anticipated and known conditions under which plans are formulated.

Types of Planning Premises

Since there are many factors which are considered in plan formulation, these may be identified in different ways. Therefore the classification of various planning premises should be seen in this perspective.

- **External Premises:** These exists in an organization's external environment. Various external factors include economic, political, legal, technological, socio-cultural and competitive. These factors either represent opportunity or threat to an organisation. For understanding the external factors and premising these,

environmental analysis is undertaken which is the process through which an organisation monitors and comprehends various environmental factors to identify opportunities and threats that are provided by these factors.

- **Internal Premises:** Internal factors of the organisations are also taken into consideration for plan formulation. Such factors of the organisation may lie on the various functions of the organisation such as production, operation, marketing, finance etc. These factors may either be a strength or weakness of the organisation. It can be identified by corporate organisational analysis which is a process through which managers analyze various factors of an organisation to evaluate their relative strengths and weaknesses so as to meet the opportunities and threats of the organisation.
- **Tangible & Intangible Premises:** Tangible premises are those which can be expressed in terms of quantitative terms like monetary unit, unit of product, labour hour, and machine hour. Intangible premises are qualitative in nature and cannot be translated into quantity. For Example Image of a Company. In fact many external and internal factors cannot be meaningfully quantified and the managers have to take decisions on the basis of intangible premises.
- **Controllable & Uncontrollable Premises:** Controllable Premises are those that can be controlled by an organization's actions. Such premises are mostly internal, for example, organisational policies, structure, procedures etc. Uncontrollable premises are mostly external and cannot be controlled by an organization's action. For Example economic growth, population growth, taxation policy of the government etc. On the other hand semi controllable premises are those which can be controlled to some extent but not wholly. For Example Market share of a company's product, labour turnover etc.

8.4 LET US SUM UP

Planning is a rational approach for defining where one stands, where one wants to go in the future and how to reach there. Planning has a great importance in all types of organisation-business or non-business, private or public sector. There may be several ways in which an organisation can undertake planning process through the basic steps involved remain the same in each way. Planning can be differentiated on the basis of coverage of organisational activities, importance of contents of planning process, time dimension in planning etc. Strategic and tactical planning may be undertaken on the basis of proactive and reactive approach or formal or informal basis. However in each set of classification, the type of emphasis put in planning process differs.

8.5 KEY WORDS

- **Contingency:** A future event or circumstance which is possible but cannot be predicted with certainty.
- **Intangible:** Unable to be touched; not having physical presence.
- **Reactive:** Acting in response to a situation rather than creating or controlling it.
- **Proactive:** Creating or controlling a situation rather than just responding to it after it has happened.

8.6 FURTHER READINGS

- H. Koontz, H. Wehrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005
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8.7 TERMINAL QUESTIONS

- Q 1** What do you mean by planning premises? How are they important in formulation and operation of plans?
- Q 2** Discuss the concept of corporate planning. How does strategic planning differ from operational / tactical planning?
- Q 3** How does long term planning is different from short term planning? How can both be coordinated?
- Q 4** Write the difference between the followings
- a) Proactive Planning v/s Reactive Planning
 - b) Formal Planning v/s Informal Planning
 - c) Long Term Plan v/s Short Term Plan

UNIT-9 STRATEGIC PLANNING

Structure

- 9.0 Objective
- 9.1 Meaning & Definition of Strategic Planning
- 9.2 Features of Strategic Planning
- 9.3 Strategic Planning Process
- 9.4 Levels of Strategy
- 9.5 Role of Strategy
- 9.6 Formulation of Strategy
- 9.7 Benefits of Strategic Planning
- 9.8 Limitations of Strategic Planning
- 9.9 Let's Sum Up
- 9.10 Key Words
- 9.11 Further Readings
- 9.12 Terminal Questions

9.0 OBJECTIVES

After reading this unit the student will be able to know:

- The Meaning and Concept of Strategic Planning
- The benefits and limitations of Planning
- Process or Steps of Strategic Planning
- Role of Strategy in an organisation

9.1 MEANING & DEFINITION OF STRATEGIC PLANNING:

Strategic planning refers to the process of defining the strategy for the organisation and allocating its resources for the pursuit of the strategy. Strategic plan is a statement of how the organisation is going to achieve its mission and objectives. A strategic plan takes into consideration the entire organizational resources and helps divert them towards the most productive uses in the most efficient manner. Strategic planning is a process in which organizational leaders determine their vision for the future as well as identify their goals and objectives for the organization.

Strategic planning is important to an organization because it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward.

9.2 FEATURES OF STRATEGIC PLANNING

Strategic plan is a course of action defined for a particular point of time. The features of strategic plan are as follows:

- Strategic planning is an important aspect of strategic management
- Strategic planning provides direction to the enterprise.
- Formulated by top management.
- The plan is aimed to achieve specific goals and objectives.
- Ensures efficient allocation of organizational resources.
- The plan allocates resources for achievement of organizational goals within specified time.
- It guides the organisation towards its mission.
- The plan is based on the organization's internal & external environment.
- Strategic Plans are formulated for a period of three to five years
- The purpose of the plan is to enable the organization capitalize on its strengths while minimizing its weaknesses, and to take advantage of opportunities and defend against threats

9.3 STRATEGIC PLANNING PROCESS

A strategic planning process is designed to drive businesses in the right direction and promote the exchange of useful ideas between people with similar goals. Strategic planning is an important tool to guide the work of any organisation. It will help maintain a focused, long term vision of the organization's mission and purpose, and aid decisions about the allocation of human and financial resources.

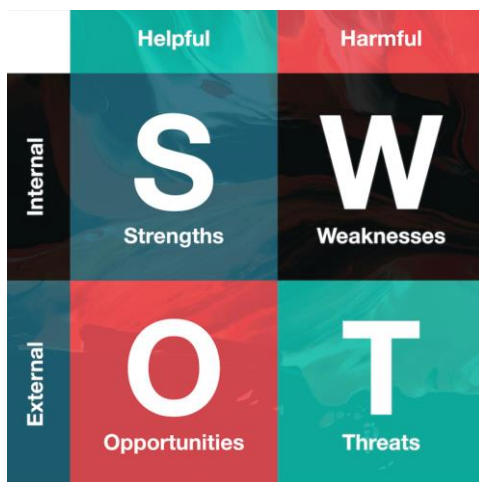
The strategic planning process is essentially a list of steps that managers should follow to implement a strategy within a company. There are several key components that make up the strategic planning process, including common phases like strategic analysis and strategy formulation, along with implementation and monitoring.

Strategic planning involves an orderly sequence of activities and involves the following steps:

- **Identify your strategic positions:** In order to achieve our goals first off all we should have a clear vision. This is the first stage of strategic planning process.

Whenever we identify our strategic position, our goal should be realistic and measurable.

- **Gather people and information:** After establishing the strategic position the next step is to bring the people who are under planning process. Once you have people and information to draw from, examine any internal or external issues that could possibly affect your objectives
- **Perform a SWOT Analysis:** SWOT stands for strength, weakness, opportunity & Threat. A SWOT analysis is often performed to help identify the strengths and weaknesses of a business, as well as identify any opportunities and threats that could arise. A SWOT analysis can also lead you in the right direction and towards your goals. SWOT analysis plays an important part in the process of strategic planning. It provides information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates. It provides an all-round view of the current and forward-looking situation of a business.



(Image Source : <https://www.zoho.com/>)

- **Formulate your Strategic Plan:** Once you have successfully identified your strategic position and have a set of goals that align with your company's mission, you can begin working on your strategic plan.
- **Execute your Strategic Plan:** This stage is the action phase in the strategic planning process. After the formulation of the strategic plan, it is time to implement it.
- **Constantly Monitor Performance :** This requires you to constantly monitor and manage performance and tweak any components that are not leading to satisfactory results. It is also important to hold those involved in the strategic planning process accountable for their assigned tasks.

9.4 LEVELS OF STRATEGY

Strategy can be formulated at three levels, namely, the corporate level, the business level, and the functional level. At the corporate level, strategy is formulated for your organization as a whole. Corporate strategy deals with decisions related to various business areas in which the firm operates and competes. At the business unit level, strategy is formulated to convert the corporate vision into reality. At the functional level, strategy is formulated to realize the business unit level goals and objectives using the strengths and capabilities of your organization.

Corporate Level: Corporate level strategy occupies the highest level of strategic decision making. Corporate level strategy defines the business areas in which your firm will operate. It deals with aligning the resource deployments across a diverse set of business areas, related or unrelated. Strategy formulation at this level involves integrating and managing the diverse businesses and realizing synergy at the corporate level. The top management team is responsible for formulating the corporate strategy. The corporate strategy reflects the path toward attaining the vision of your organization.

Business Level: Business level strategy is applicable in those organisations which have different business and each business is treated as a strategic business unit. Business level strategies are formulated for specific strategic business units and relate to a distinct product-market area. It involves defining the competitive position of a strategic business unit. The business level strategy formulation is based upon the generic strategies of overall cost leadership, differentiation, and focus.

Functional Level: Functional level strategies relate to the different functional areas which a strategic business unit has, such as marketing, production and operations, finance, and human resources. These strategies are formulated by the functional heads along with their teams and are aligned with the business level strategies. The strategies at the functional level involves setting up short-term functional objectives, the attainment of which will lead to the realization of the business level strategy.

9.5 ROLE OF STRATEGY

- **Framework for operational Planning**

If strategies are developed carefully and understood properly by managers, they provide a more consistent framework for operational planning. If this consistency exists and applied, there would be deployment of organisational resources in those areas where they find better use. Strategies defines the business area both in terms of customers and geographical areas served. Better the definition of these areas, the better will be the deployment of resources.

- **Clarity In Direction of Activities**

Strategy focus on direction of the activities by specifying what activities are to be undertaken for achieving organisational objectives. They the objectives more clear and specific. For example a business organisation may define its objective as profit earning or a non-business organisation may define its objective social objective. But the definitions are too broad for putting them operation. They are better spelled by strategies which focus on operational objectives and make them more practical.

- **To Increase Organisational Effectiveness**

Strategies ensure organisational effectiveness in several ways. The concept of effectiveness is that the organisation is able to achieve the objectives within the available resources. So for effectiveness the resources should ensure their contribution towards the organisation. Therefore each resource of the organisation has a specific use at a particular time. If this is done, the organisation will achieve effectiveness.

- **Personnel Satisfaction**

Strategy provides satisfaction to the personnel of the organisation. In an organisation where formal strategic management process is followed, people are more satisfied by definite prescription of their roles thereby reducing role conflict and role ambiguity. If the decisions are systematized in an organisation, everyone knows how to proceed, how to contribute towards organisational objectives.

9.6 FORMULATION OF STRATEGY

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

- **Setting Organizations' objectives** - The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there.
- **Evaluating the Organizational Environment** - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organization's existing product line.
- **Setting Quantitative Targets** - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea

behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

- **Aiming in context with the divisional plans** - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.
- **Performance Analysis** - Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.
- **Choice of Strategy** - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

9.7 BENEFITS OF STRATEGIC PLANNING

- **Improves in decision making:** Strategic Planning makes the management of an organization easier by providing a framework for decision-making and action. It helps to identify and address the key issues.
- **Uniform vision & Clarity of objectives:** Strategic Planning establishes a uniform vision and thus directs all the efforts in the same direction. The employees clearly understand what is required to be done, it creates clarity of objectives and thus create an increased level of commitment to the organization and its goals. It also serves as a motivating factor for the employees.
- **Judicious use of resources:** Strategic Planning enables the optimum utilization of the organizations resources. It helps firm to utilize its strengths to tap the opportunities and thus perform to the best of its capabilities. It sets the priorities and directs the resources towards their efficient utilization.
- **Reduces Uncertainty :** Strategic Planning reduces uncertainty by analysing the environment and thus increases the ability to deal with risks posed by the external environment

9.8 LIMITATIONS OF STRATEGIC PLANNING:

Limitations of Strategic Planning although there are many advantages to strategic management, such as reducing the resistance to change and promoting collaboration, there are also disadvantages. The strategic management suffers from the following limitations:

- **Complex Process:** Strategic management is a complex process since it involves continuous monitoring of the external and internal environments. Based on the changing environmental conditions the objectives and plans need to be revised. All components are interrelated, so a change in one component may affect others areas. For example, due to fall in demand of a particular product produced by the company because of some incident compels the revision its production plan.
- **Too much paperwork, not enough clear thinking:** Another limitation in planning is that too much emphasis is given to paper work rather than the thought process. Much of the time gets wastes in complying with such formalities.
- **No commitment from the top level:** Success of plans depends on the commitment of the top level. If the top management does not take much interest in planning and implementation, plans could never become a success.
- **Time Consuming: Strategic planning is a time consuming process.** A lot of time of manager gets consumed in preparing, researching and communicating the strategic plans which may hinder the day-to-day operations and negatively impact the business.
- **Difficulty in Implementation:** Implementation of strategic plans is a challenging task. It requires full attention, active participation, and accountability of all members of the organization. A small loophole in its implementation may make it ineffective.
- **Insufficient emphasis on identifying key issues, opportunities and threats:** The base of strategic planning is identifying the key issues that need to be stressed upon. If key issues could not be identified the whole activity remains unfruitful.
- **Uncertain future:** Strategic Plans are formulated to achieve some objectives in the future. Anticipating future is a difficult process. SWOT analysis provides the basis for formulating plans. But future is uncertain. A simple happening could change the entire scenario.

9.9 LET US SUM UP

Strategic Planning is about allocating resources to achieve the mission. Strategic planning set priorities, focus energy and resources and strengthen the operations. It provides direction to the enterprise. For strategic planning, SWOT analysis is done. The analysis of the internal and the external environment provides a base for the development of the mission and vision statements. After that Goals and objectives are defined clearly and the plan of action is formulated. This plan of action is then implemented and continuously monitored and reviewed. Effective planning requires commitment from the top level.

9.10 KEY WORDS

- **SWOT:** SWOT stands for Strengths, Weaknesses, Opportunities and Threats'. This is a method of analysis of the environment and the company's standing in it.
- **Strategy:** A plan of action designed to achieve a long-term or overall aim.
- **Business Environment:** Business environment is the sum total of all external and internal factors that influence a business.
- **Plan of Action:** An organized program of measures to be taken in order to achieve a goal.

9.11 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
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 - Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd

9.12 TERMINAL QUESTIONS

- Q 1: Discuss the Concept of Strategy. Explain the different levels at which strategies operate.
- Q 2: What do you mean by strategic planning? Why is it gaining importance?
- Q 3: Discuss in detail the process of strategic planning.
- Q 4: What are the pros and cons of strategic planning?
- Q 5: Discuss the process of strategy formulation and implementation
- Q 6: What is the role of strategy in a business organisation?