LECTURE 4 Planning as a function of management

"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"

Koontz and O'Donnel.

Planning is bridging the gap between present and future course of action.

However, despite sophisticated techniques a person can’t predict the future.

Thus proper planning requires lot of work involves studying the past trends and then forecasting the future.

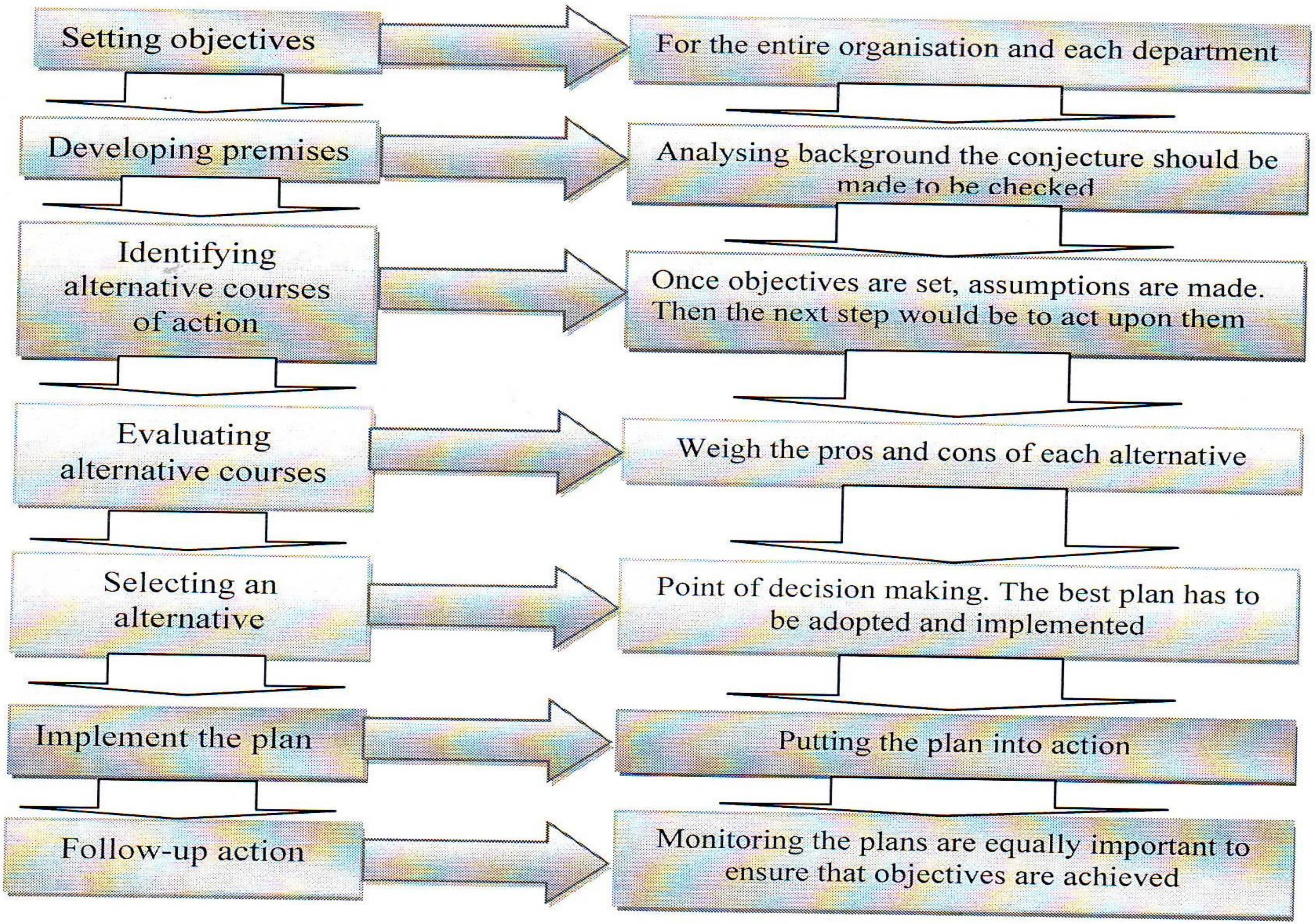
Importance of Planning

- Planning provides directions
- Planning reduces the risks of uncertainty
- Planning reduces overlapping and wasteful activities
- Planning promotes innovative ideas
- Planning facilitates decision making
- Planning establishes standards for controlling

Features of planning

- Planning focuses on achieving objectives
- Planning is a primary function of management
- Planning is pervasive
- Planning is continuous
- Planning is futuristic
- Planning involves decision making
- Planning is a mental exercise

Planning Process



Types of Plans

- Objectives → guide for overall business planning
- Strategy → Three dimen-si ons
  - determining long term objectives
  - adopting a particular course of action
  - allocating resources necessary to achieve the objective
- Policy → guides to managerial action
- Procedure → steps to be followed in particular circumstances
- Method → Ways or manner to achieve the goal
- Rule → Statements inform what is to be done
- Programme → Detailed statements about project
- Budget → plan which quantifies future facts and figures

Management Planning Principles

Planing 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.

- ***Principle of Contribution:***

The purpose of planning is to ensure the effective and efficient achievement of corporate objectives, in-fact, the basic criteria for the formulation of plans are to achieve the ultimate Objectives of the company. The accomplishment of the objectives always depends on the soundness of plans and the adequate amount of contribution of company towards the same.

- ***Principle of Sound and Consistent Premising:***

Premises are the assumptions regarding the environmental forces like economic and market conditions, social, political, legal and cultural aspects, competitors actions, etc. These are prevalent during the period of the implementation of plans. Hence, Plans are made on the basis of premises accordingly, and the future of the company depends on the soundness of plans they make so as to face the state of premises.

- ***Principle of Limiting factors*** : The limiting factors are the lack of motivated employees, shortage of trained personnel, shortage of capital funds, government policy of price regulation, etc. The company requires to monitor all these factors and need to tackle the same in an efficient way so as to make a smooth way for the achievement of its ultimate objectives.

  - ***Principle of Commitment:*** A commitment is required to carry-on the business that is established. The planning shall has to be in such a way that the product diversification should encompass the particular period during which entire investment on that product is recovered.

- ***Principle of Coordinated Planning:***

Long and short-range plans should be coordinated with one another to form an integrated plan, this is possible only when latter are derived from the former. Implementation of the long-range plan is regarded as contributing to the implementation of the short-range plan. functional plans of the company too should contribute to all others plans i.e. implementation of one plan should contribute to all the other plans, this is possible only when all plans are consistent with one another and are viewed as parts of an integrated corporate plan.

- ***Principle of Timing:***

Number of major and minor plans of the organisation should be arranged in a systematic manner. The plans should be arranged in a time hierarchy, initiation and completion of those plans should be clearly determined.

- ***Principle of Efficiency:***

Cost of planning constitute human, physical and financial resources for their formulation and implementation as well. Minimizing the cost and achieving the efficient utilization of resources shall has to be the aim of the plans. Cost of plan formulation and implementation, in any case, should not exceed the organisations output's monetary value. Employee satisfaction and development, and social standing of the organisation are supposed to be considered while calculating the cost and benefits of plan.

- ***Principle of Flexibility:***

Plans are supposed to be flexible to favour the organisation to cope-up with the unexpected environments. It is always required to keep in mind that future will be different in actuality. Hence companies, therefore, require to prepare contingency plans which may be put into operation in response to the situations.

- ***Principle of Navigational Change:***

Since the environment is always not the same as predicted, plans should be reviewed periodically. This may require changes in strategies, objectives, policies and programmes of the organisation. The management should take all the necessary steps while reviewing the plans so that they efficiently achieve the ultimate goals of the organisation.

- ***Principle of Acceptance:***

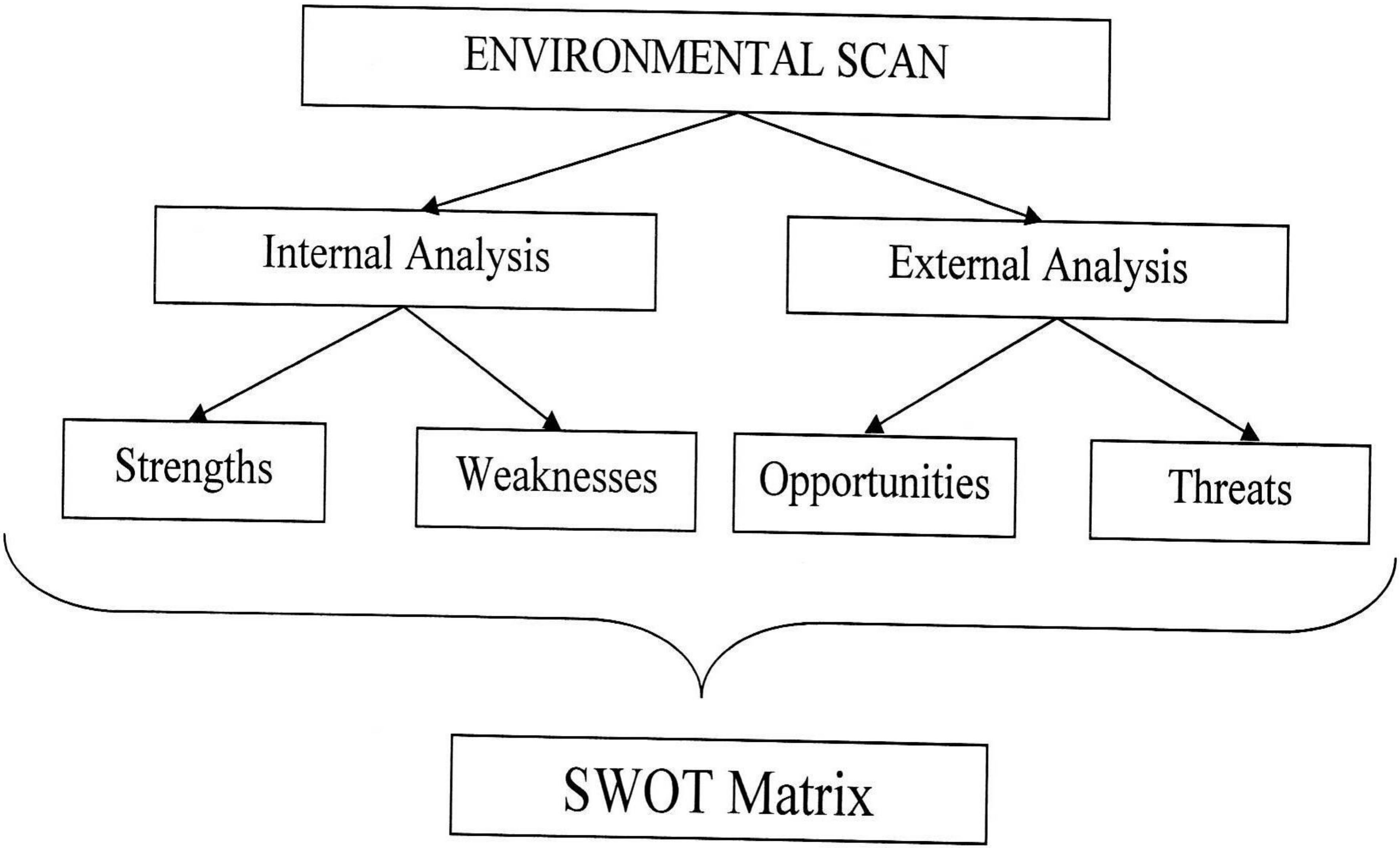
Plans should be understood and accepted by the employees, since the successful implementation of plans requires the willingness and cooperative efforts from them. Communication also plays a crucial role in gaining the employee understanding and acceptance of the plans by removing their doubts and misunderstanding about the plans also their apprehensions and anxieties about consequences of plans for achievement of their personal goal.

Planning involves carrying SWOT analysis. An analysis of organization's strength weakness opportunity and threats.

SWOT Analysis

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (**S**) or weaknesses (**W**), and those external to the firm can be classified as opportunities (**O**) or threats (**T**). Such an analysis of the strategic environment is referred to as a **SWOT analysis**.

SWOT Analysis Framework



Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage.

Examples of such strengths include:

- patents
- strong brand names
- good reputation among customers
- cost advantages from proprietary know-how
- exclusive access to high grade natural resources
- favorable access to distribution networks

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- lack of patent protection
- a weak brand name
- poor reputation among customers
- high cost structure
- lack of access to the best natural resources
- lack of access to key distribution channels

In some cases, a weakness may be the flip side of a strength. Take the case in which a firm has a large amount of manufacturing capacity. While this capacity may be considered a strength that competitors do not share, it also may be a considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth.

Some examples of such opportunities include:

- an unfulfilled customer need
- arrival of new technologies
- loosening of regulations
- removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm.

Some examples of such threats include:

- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations
- increased trade barriers

The SWOT Matrix

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed

The SWOT matrix (also known as a **TOWS Matrix**) is shown below:

SWOT / TOWS Matrix

- **S-O strategies** pursue opportunities that are a good fit to the company's strengths.
- **W-O strategies** overcome weaknesses to pursue opportunities.
- **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats.
- **W-T strategies** establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.

	Strengths	**Weaknesses**
Opportunities	**S-O** strategies	**W-O** strategies
Threats	**S-T** strategies	**W-T** strategies